



AGENDA

COMMISSION MEETING OF THE CHINO BASIN REGIONAL FINANCING AUTHORITY AND MEETING OF THE INLAND EMPIRE UTILITIES AGENCY BOARD OF DIRECTORS

**WEDNESDAY, MAY 18, 2016
10:00 A.M.**

**INLAND EMPIRE UTILITIES AGENCY*
AGENCY HEADQUARTERS
6075 KIMBALL AVENUE, BUILDING A
CHINO, CALIFORNIA 91708**

CALL TO ORDER OF THE CHINO BASIN REGIONAL FINANCING AUTHORITY MEETING

FLAG SALUTE

PUBLIC COMMENT

Members of the public may address the Board on any item that is within the jurisdiction of the Board; however, no action may be taken on any item not appearing on the agenda unless the action is otherwise authorized by Subdivision (b) of Section 54954.2 of the Government Code. Those persons wishing to address the Board on any matter, whether or not it appears on the agenda, are requested to complete and submit to the Board Secretary a "Request to Speak" form which are available on the table in the Board Room. Comments will be limited to five minutes per speaker. Thank you.

ADDITIONS TO THE AGENDA

In accordance with Section 54954.2 of the Government Code (Brown Act), additions to the agenda require two-thirds vote of the legislative body, or, if less than two-thirds of the members are present, a unanimous vote of those members present, that there is a need to take immediate action and that the need for action came to the attention of the local agency subsequent to the agenda being posted.

1. ACTION ITEMS

A. MINUTES

It is recommended that the Board approve:

1. February 3, 2016 Minutes of the Special Commission Meeting of the Chino Basin Regional Financing Authority; and
2. February 17, 2016, Minutes of the Commission Meeting of the Chino Basin Regional Financing Authority.

B. RESOLUTION APPROVING JCSD-IEUA CEQA

It is recommended that the Commission:

1. Adopt Resolution No. 2016-6, approving and adopting Addendum No. 2 to the Mitigated Negative Declaration for the Jurupa Community Services District (JCSD) Recycled Water Expansion and approving the revised project, as a CEQA-Responsible Agency; and
2. Authorize IEUA's General Manager to file the Notice of Determination (NOD) with the San Bernardino County Clerk of the Board.

C. RESOLUTIONS FOR RMPU APPLICATIONS

It is recommended that the Commission:

1. Adopt Resolution No. 2016-2, authorizing IEUA's General Manager to execute the Groundwater Grant Program application with the SWRCB for the Chino Basin Improvements and Groundwater Cleanup Project through the Chino Basin Regional Financing Authority (CBRFA);
2. Adopt Resolution No. 2016-3, authorizing IEUA's General Manager to execute the Stormwater Grant Program application with the SWRCB for the RMPU Project referred to as the Wineville, Jurupa, and RP-3 Basin Improvements and Groundwater Cleanup Project through the CBRFA;
3. Adopt Resolution No. 2016-4, authorizing IEUA's General Manager to execute the Clean Water State Revolving Fund (CWSRF) loan application with the SWRCB for the planning and design of the RMPU Project through the CBRFA;
4. Adopt Resolution No. 2016-5, dedicating certain revenues for the repayment of the SRF loan for the Planning and Design of the RMPU Project; and
5. Authorize IEUA's General Manager to approve the Master Recharge Facilities Financing Agreement between CBRFA, IEUA, and CBWM, and allow the General Manager to make non-substantive changes prior to execution.

2. ADJOURN

CALL TO ORDER OF THE INLAND EMPIRE UTILITIES AGENCY BOARD OF DIRECTORS MEETING

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1. NEW HIRE INTRODUCTIONS

- Mr. Josh Biesiada, Construction Project Manager, hired on 2/16/16 (Jerry Burke)
- Mr. Christopher Stull, Compost Worker, hired on 3/15/16 (Jeff King)
- Mr. Richard Selio, Mechanic I, hired on 4/25/16 (Jaime Melton)
- Mr. Edward Makowski, Collection System Operator, hired on 4/25/16 (Francis Concemino)
- Ms. Mia Beltran, Contracts Administration II, hired on 5/2/16 (Kathleen Baxter)

2. PUBLIC HEARING AND ADOPTION OF ORDINANCE NO. 102, ESTABLISHING FISCAL CONTROL

It is recommended that the Board:

1. Hold a Public Hearing to receive public comments prior to the adoption of Ordinance No. 102, establishing fiscal control; and
2. After closing the Public Hearing, by roll call vote, adopt Ordinance No. 102.

3. CONSENT CALENDAR

NOTICE: All matters listed under the Consent Calendar are considered to be routine and non-controversial and will be acted upon by the Board by one motion in the form listed below. There will be no separate discussion on these items prior to the time the Board votes unless any Board members, staff or the public requests specific items be discussed and/or removed from the Consent Calendar for separate action.

A. MINUTES

The Board will be asked to approve the minutes from the April 6, Board Workshop.

B. REPORT ON GENERAL DISBURSEMENTS

It is recommended that the Board approve the total disbursements for the month of March 2016, in the amount of \$10,251,783.01.

C. RECHARGE MASTER PLAN UPDATE PROJECT RESOLUTIONS AND AGREEMENTS

It is recommended that the Board:

1. Adopt Resolution No. 2016-5-2, authorizing IEUA's General Manager to execute the Groundwater Grant Program application with the SWRCB for the Chino Basin Improvements and Groundwater Cleanup Project through the Chino Basin Regional Financing Authority (CBRFA);
2. Adopt Resolution No. 2016-5-3, authorizing IEUA's General Manager to execute the Stormwater Grant Program application with the SWRCB for the RMPU Project referred to as the Wineville, Jurupa, and RP-3 Basin Improvements and Groundwater Cleanup Project through the CBRFA;
3. Adopt Resolution No. 2016-5-4, authorizing IEUA's General Manager to execute the Clean Water State Revolving Fund (CWSRF) loan application with the SWRCB for the planning and design of the RMPU Project through the CBRFA;
4. Adopt Resolution No. 2016-5-5, dedicating certain revenues for the repayment of the SRF loan for the Planning and Design of the RMPU Project;
5. Authorize IEUA's General Manager to approve the First Amendment to the Master Cost Sharing Agreement between CBWM and IEUA; and
6. Authorize IEUA's General Manager to approve the Master Recharge Facilities Financing Agreement between CBRFA, IEUA, and CBWM.

D. CONTRACT AMENDMENT FOR DEMAND RESPONSE SERVICES

It is recommended that the Board:

1. Approve the amendment to the Master Service Contract No. 4600000900 with EnerNOC, Inc. for provision of demand response services; including sub-metering data management; and
2. Authorize the General Manager finalize and execute the contract amendment.

E. AMENDMENT TO ENERGY SERVICE PROVIDER AGREEMENTS

It is recommended that the Board:

1. Approve the electricity amendment with Shell Energy North America (SENA) US, L.P. through December 31, 2016 to purchase 1.5 megawatts (MW) of electricity per hour at a variable rate;
2. Approve the natural gas amendment with SENA US, L.P. through May 31, 2017 to purchase 200 MMBtu per day of natural gas at a variable rate; and
3. Authorize the General Manager to finalize and execute the amended agreements, and negotiate further amendments up to three additional years.

F. ADOPTION OF RESOLUTION NO. 2016-5-1, APPROVING THE UPDATE OF THE AGENCY'S INVESTMENT POLICY FOR THE FISCAL YEAR 2016/17

It is recommended that the Board adopt Resolution No. 2016-5-1, approving the update of the Agency's Investment Policy for Fiscal Year 2016/17.

G. RESERVE POLICY

It is recommended that the Board adopt the updated Reserve Policy governing all Agency funds.

4. ACTION ITEMS

(Action Item E will continue following Closed Session)

A. APPROVAL OF SAN BERNARDINO COUNTY SUCCESSOR AGENCY COMPENSATION AGREEMENTS

It is recommended that the Board:

1. Approve the Compensation Agreement between the San Bernardino County Successor Agency to the former Redevelopment Agency (Successor Agency), IEUA, and other affected taxing entities for the transfer to the County of San Bernardino (County) of the property commonly known as the "Speedway Property" for future development;
2. Approve the Compensation Agreement between the Successor Agency, IEUA, and other affected taxing entities for the transfer to the County of the property commonly known as the "Rosemary and Iris Property" for future development;
3. Approve the Compensation Agreement between the Successor Agency, IEUA, and other affected taxing entities for the transfer to the County of the property commonly known as the "Fire Station Property" to be retained for government use as it was designated for a fire station and public safety office; and

4. Authorize the General Manager to execute the Compensation Agreements.

B. WATER QUALITY LABORATORY CONSTRUCTION CONTRACT AWARD

It is recommended that the Board:

1. Approve the construction contract award for the Water Quality Laboratory, Project No. EN15008, to Kemp Bros. Construction, Inc., in the amount of \$17,460,000;
2. Approve a total project budget amendment in the amount of \$3,745,000, which will increase the total project budget from \$20,900,000 to \$24,645,000;
3. Authorize the Agency to request an increase to the current SRF Loan Agreement in the amount of \$7,545,000; and
4. Authorize the General Manager to execute the construction contract, budget amendment, and required loan documents.

C. DEBT MANAGEMENT POLICY

It is recommended that the Board adopt the proposed Debt Management Policy governing all Agency's debt.

D. FISCAL YEAR 2016/17 TEN-YEAR CAPITAL IMPROVEMENT PLAN

It is recommended that the Board approve the proposed Fiscal Year (FY) 2016/17 through 2025/26 Ten-Year Capital Improvement Plan (TYCIP).

5. INFORMATION ITEMS

A. FY 2016/17 PROPOSED AMENDED BUDGET (WRITTEN)

B. SANTA ANA RIVER WATERMASTER OVERVIEW (WRITTEN)

C. MWD UPDATE AND DROUGHT UPDATE (ORAL)

RECEIVE AND FILE INFORMATION ITEMS

D. TREASURER'S REPORT OF FINANCIAL AFFAIRS (WRITTEN/POWERPOINT)

E. FY 2016/17 ADOPTED BUDGET FOR THE INLAND EMPIRE REGIONAL COMPOSTING AUTHORITY (WRITTEN/POWERPOINT)

F. PUBLIC OUTREACH AND COMMUNICATION (WRITTEN)

G. LEGISLATIVE REPORT FROM INNOVATIVE FEDERAL STRATEGIES (WRITTEN)

- H. LEGISLATIVE REPORT FROM WEST COAST ADVISORS (WRITTEN)
- I. LEGISLATIVE REPORT FROM AGRICULTURAL RESOURCES (WRITTEN)
- J. CALIFORNIA STRATEGIES, LLC MONTHLY ACTIVITY REPORT (WRITTEN)
- K. FEDERAL LEGISLATIVE TRACKING MATRIX (WRITTEN)
- L. STATE LEGISLATIVE TRACKING MATRIX (WRITTEN)
- M. 2015 REGIONAL URBAN WATER MANAGEMENT PLAN (WRITTEN/POWERPOINT)
- N. WATER ORDINANCE NO. 104 (WRITTEN/POWERPOINT)
- O. ENGINEERING AND CONSTRUCTION MANAGEMENT PROJECT UPDATES (POWERPOINT)

Materials related to an item on this agenda submitted to the Agency, after distribution of the agenda packet, are available for public inspection at the Agency's office located at 6075 Kimball Avenue, Chino, California during normal business hours.

6. AGENCY REPRESENTATIVES' REPORTS

- A. SAWPA REPORT (WRITTEN)
- B. MWD REPORT (WRITTEN)
- C. REGIONAL SEWERAGE PROGRAM POLICY COMMITTEE REPORT (WRITTEN)
- D. CHINO BASIN WATERMASTER REPORT (CANCELLED)

7. GENERAL MANAGER'S REPORT (WRITTEN)

8. BOARD OF DIRECTORS' REQUESTED FUTURE AGENDA ITEMS

9. DIRECTORS' COMMENTS

A. CONFERENCE REPORTS

This is the time and place for the Members of the Board to report on prescheduled Committee/District Representative Assignment meetings, which were held since the last regular Board meeting, and/or any other items of interest.

10. CLOSED SESSION

**A. PURSUANT TO GOVERNMENT CODE SECTION 54956.9(a) –
CONFERENCE WITH LEGAL COUNSEL – EXISTING LITIGATION**

1. Chino Basin Municipal Water District vs. City of Chino, Case No. RCV51010
2. Martin vs. IEUA, Case No. CIVRS 1000767
3. Mwembu vs. IEUA, Case No. CIVDS 1415762

**L. PURSUANT TO GOVERNMENT CODE SECTION 54956.8 –
CONFERENCE WITH REAL PROPERTY NEGOTIATOR**

1. Supplemental Water Transfer/Purchase
Negotiating Party: General Manager P. Joseph Grindstaff
Under Negotiation: Price and Terms of Purchase

**M. PURSUANT TO GOVERNMENT CODE SECTION 54956.9
CONFERENCE WITH LEGAL COUNSEL - ANTICIPATED LITIGATION**

1. Two (2) Cases

**N. PURSUANT TO GOVERNMENT CODE SECTION 54957 – PERSONNEL
MATTERS**

1. General Counsel

4. ACTION ITEM - continued

E. RETAINER AGREEMENT FOR LEGAL SERVICES

It is recommended that the Board approve a Retainer Agreement for Legal Services with JC Law Firm.

11. ADJOURN

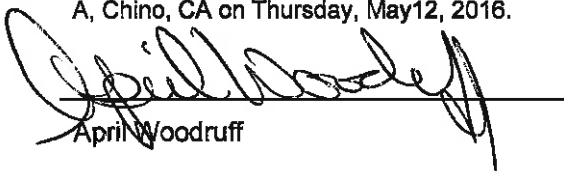
*A Municipal Water District

In compliance with the Americans with Disabilities Act, if you need special assistance to participate in this meeting, please contact the Board Secretary (909) 993-1736, 48 hours prior to the scheduled meeting so that the Agency can make reasonable arrangements.

Proofed by: 

Declaration of Posting

I, April Woodruff, Board Secretary of the Inland Empire Utilities Agency*, A Municipal Water District, hereby certify that a copy of this agenda has been posted by 5:30 p.m. at the Agency's main office, 6075 Kimball Avenue, Building A, Chino, CA on Thursday, May12, 2016.


April Woodruff



**CONSENT
CALENDAR
ITEM**


3G


Date: May 18, 2016

To: The Honorable Board of Directors

Through: Finance, Legal, and Administration Committee (05/11/2016)

From:  P. Joseph Grindstaff
General Manager 

Submitted by:  Christina Valencia
Chief Financial Officer/Assistant General Manager

 Javier Chagoyen-Lazaro
Manager of Finance and Accounting

Subject: Reserve Policy

RECOMMENDATION

It is recommended that the Board of Directors adopt the updated Reserve Policy governing all Agency funds (Attachment A).

BACKGROUND

In May 2014 the Board of Directors adopted an updated Reserve Policy (Policy) governing all Agency funds. Establishment and sustainment of appropriate fund reserves is consistent with sound prudent fiscal practices, compliant with legal requirements, and essential to ensure the Agency can effectively address economic and environmental variability.

The Board recognizes the need to periodically refine reserve categories and recalibrate minimum and target levels to ensure they remain relevant and align with Agency policies and strategic goals. The intent of the update is to refine the Policy as certain planning documents or initiatives were completed, such as the Fiscal Year 2016/17 – 2025/25 ten year capital improvement plan (TYCIP), the asset management program (AMP), re-structuring of the imported water rates to more appropriately cover costs for the regional water resource program, and to support long term regional water sustainability initiatives, such as the Santa Ana River Conservation Conjunctive Use Program (SARCCUP).

Significant changes in the 2016 Reserve Policy as summarized in Exhibit A, include the addition of Water Connection Reserve. New water connection fees collected in the Agency's service area to support capital acquisition, construction and system improvements of the Agency's regional

water and recycled water systems will be recorded in the new Water Connection Reserve. The Supplemental Water reserve is changing to the Water Resources Capital reserve to support investment in capital infrastructure, water storage, and purchase of supplemental water supplies. The primary funding sources will be property taxes for the Water Resources Capital reserve. Establishment of this reserve will provide more transparency on the use of funding sources to support long term water quality, reliability and sustainability for the region.

A new sinking fund reserve is also being established to support planned rehabilitation, relocation and decommissioning of regional wastewater facilities. Included the Agency's FYs 2017-2026 TYCIP is the relocation of the Regional Plant No. 2 (RP-2) solids handling facility and the rehabilitation RP-1, the Agency's oldest wastewater treatment facility. The estimated project costs for these projects may exceed \$100 million each. Another sinking fund established in the Regional Wastewater program will support the early repayment of the 2008A Revenue Bonds which will be callable in November 2017.

Another key change is the calculation of the target levels for Capital Construction and R&R reserves. The TYCIP costs for each program fund serve as the basis for both the maximum and minimum levels. The minimum level is set at the ten year average of R&R costs. For the maximum level for each program fund will be set at the greater of; three times the average of TYCIP costs, or 3 times the average of TYCIP costs paid for on a "pay-go" basis, net of debt proceeds. Using the TYCIP average will help to "smooth" reserve levels and avoid fluctuations from year to year.

The updated Reserve Policy reflecting all of the proposed modifications to reserve categories and thresholds is provided under Attachment A. Upon Board approval, the FY 2016/17 Budget, to be amended on June 15, 2016, will be updated to reflect the updated Reserve Policy.

The Reserve Policy supports the Agency's Business Goals Fiscal Responsibility commitment to preserve the fund reserves that sustain the Agency's long term fiscal health, high quality credit rating and ensure its ability to effectively address economic variability.

PRIOR BOARD ACTION

The Board adopted the updated Reserve Policy for all Agency funds on May 21, 2014.

IMPACT ON BUDGET

None.

Exhibit A: Proposed Changes to Reserve Categories

Exhibit B: Proposed Levels by Reserve Category

Attachment A: Reserve Policy Updated May 2016

Exhibit A: Proposed Changes to Reserve Categories

Current Reserve Categories	Proposed Reserve Categories
Restricted Reserves	
Operating Contingency	No Changes
Debt Service	
Capital Construction Reimbursement Account (CCRA)	
	Water Connection
Designated Reserves	
Capital Construction	No changes
Replacement and Rehabilitation (R&R)	
Self-Insurance Program	
Supplemental Water Resources	Water Resources Capital
	Sinking Fund
Undesignated (Unrestricted) Reserve	
Employee Retirement Benefits	No Changes

Exhibit B: Proposed Levels by Reserve Category

Reserve	Min.	Target	IEUA (\$ Millions)		
			Min.	Target	Actual Jun '15
Operating Contingency*	4 Mo OPEX ⁽¹⁾	6 Mo OPEX	\$26.1	\$39.2	\$30.2
Debt Service	10 year average of debt service less bonds pay-down (e.g. 2008A) and inter-fund loan	Highest annual debt service in next 5 years	23.5	50.9	20.1
Water Connection	No set target defined		0	0	0
Capital Construction⁽³⁾ (including CCRA)	10 year average of CAPEX ⁽²⁾	Review annually and adjusted reserve with one of the following options based on the TYCIP update: a) 3 times 10 year average, or b) 3 times 10 year average pay-go (CIP less funding from bonds or state loan proceeds)	53.6	69.0 ⁽⁴⁾	49.8
Rehabilitation & Replacement (R&R)	10 year average R&R	Review annually and adjusted reserve with one of the following options based on the TYCIP update: a) 3 times 10 year average, or b) 3 times 10 year average pay-go (R&R less funding from bonds or state loan proceeds)	11.0	25.2 ⁽⁴⁾	26.5
Self-Insurance Program	Determined by Risk Mgmt.	\$6 Million	6.0	6.0	6.0
Water Resources Capital	\$10 Million	\$30 Million	10.0	30.0	0

Sinking Fund	Determined based on designated projects as approved by the Agency's Board of Directors	0	0	0	
Employee Retirement Benefit	\$6 Million	Adjusted based on total Annual Required Contribution	6.0	8.0	9.7
Total Reserves		\$136.2	\$228.3	\$142.3	

- (1) OPEX – Operating Expenses
- (2) CAPEX – Capital Expenditures
- (3) Construction reserve includes the Capital Capacity Reimbursement Account (CCRA) balance
- (4) Applied option “b” 10 year average pay-go for calculating target reserve

**INLAND EMPIRE UTILITIES AGENCY
RESERVE POLICY
May 2016**

ATTACHMENT A

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**INLAND EMPIRE UTILITIES AGENCY
RESERVE POLICY**

May 2016

ATTACHMENT A

Policy Statement

The Inland Empire Utilities Agency (Agency or IEUA) has historically maintained fund reserves to ensure sufficient funding is available to meet its operating, capital and debt service obligations, comply with legally mandated requirements, and have the ability to respond to unforeseen events. As a regional provider of essential public services and with an extensive investment in public infrastructure, operating facilities, other related assets; the Agency must establish and maintain a prudent level of reserves to meet its commitment to deliver reliable and high quality essential services to its customers. In addition, by maintaining prudent reserves the Agency has the necessary financial flexibility to effectively respond to economic, environmental and regulatory changes, protect its customers against reducing service levels or raising rates and fees because of temporary revenue shortfalls or unforeseen one-time expenditures, and support the Agency's Business Goals.

Purpose of Policy

The policy directives outlined in this document are intended to ensure fund reserves support the Agency's Business Goals adopted by the Board in October 2013, in particular its commitment to *"preserve fund reserves that sustain the Agency's long term fiscal health, high quality credit rating and ensure its ability to effectively address economic variability"*.

The Agency is committed to ensure its customers benefit from reliable, sustainable and high quality water supplies and cost-effective wastewater collection, treatment, and reuse services. Given the direct impact these essential services have to public health and the overall quality of life, very few options exist, if any, for service reduction levels in the event of revenue shortfalls or other funding deficiencies. In recognition of these realities, and consistent with best practices, the Agency has prudently established reserves to ensure delivery of these essential services.

The IEUA Board of Directors (Board) may designate specific reserves and set minimum and target balances to support the various funds (programs) that account for its water, wastewater treatment, recycled water and other activities. Establishing and maintaining adequate reserves for the various programs minimizes the risk of significant fluctuation in rates and charges due to changes, such as a shortfall in revenues or unanticipated expenses.

As an issuer of revenue bonds and recipient of low interest loans, the Agency is committed to its contractual obligation to pay debt service and other financial obligations as imposed by bond covenants and loan agreements. In addition, adequate reserves directly affect the Agency's credit rating and access to more favorable interest rate debt markets resulting in lower borrowing costs. Sustainment of high quality credit rating will ensure the Agency's ability to finance construction, expansion, and improvement of facilities and infrastructure to meet higher service demands from future growth. The Agency is committed to improving its long term credit to AAA and maintaining a debt coverage ratio that supports such rating. (Business Goal: Fiscal Responsibility).

**INLAND EMPIRE UTILITIES AGENCY
RESERVE POLICY**

May 2016

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Roles and Responsibilities

The Reserve Policy shall be adopted by the Board of Directors and reviewed annually during the budget review process to ensure appropriate use of reserve funds and modification of targeted reserve balances for the various funds (programs). The Agency's Chief Financial Officer/Assistant General Manager (CFO/AGM) shall serve as the designated administrator of the Reserve Policy and shall be responsible for the day-to-day implementation and management.

Types of Reserves

Reserve balances shall be maintained in amounts sufficient to meet appropriate reserve targets, as established by the Board, in cash and/or cash equivalents, and permitted investments as prescribed in the Agency's Investment Policy. The Agency classifies reserves into three major categories as follows:

- **Restricted reserves** – Funds maintained based on externally-imposed restrictions from federal and state regulatory requirements, or legal restrictions imposed by third parties, (example, bondholders) through bond indentures or other contractual agreements (example: Regional Sewage Service Contract).
- **Designated reserves** – Board imposed restrictions on funds for Agency specific purposes such as mitigating risk from the Agency's self-insurance programs and financing replacement and rehabilitation (R&R) of Agency assets. These funds are not legally restricted. In the event of emergency, the Board has the discretion to reassign the spending from the reserve.
- **Unrestricted reserves** – The internal policy of the Agency requires maintenance of adequate undesignated (unrestricted) reserves to finance requirements such as investment in capital and operational efficiencies, payment of unfunded accrued liabilities for retirement benefits, and refunding of high interest debt obligations. Funds in these reserves are available for spending with no legal, regulatory, or Board imposed restrictions.

For each of the reserves, the Agency has identified a purpose, appropriate target levels, funding sources, conditions under which they are to be used and replenished, and review dates for determining continued need. Any reserves in excess of the cumulative target amounts will be considered undesignated funds which can be used for any lawful purpose at the discretion of the Board of Directors.

**INLAND EMPIRE UTILITIES AGENCY
RESERVE POLICY
May 2016**

ATTACHMENT A

RESERVED (RESTRICTED) FUND BALANCES

Operating Contingency Reserve

Purpose: The Agency is committed to providing wastewater collection, treatment, disposal, optimizing beneficial use of recycled water and biosolids, and regional conservation and water use programs. The Agency strives to provide and maintain a rate structure that is affordable, stable and fully covers the fund (program) cost of service. However, unforeseen shortfalls in revenues or increases or operating costs require that the Agency periodically adjust rates and charges to achieve full cost of service recovery. This reserve is intended to minimize rate fluctuations as a result of unfavorable economic conditions or other factors beyond the control of the Agency that may result in reduced revenues or increased costs.

The Agency shall maintain an operating contingency reserve equal to a minimum of four (4) months, as mandated by legal requirements, and a target of six (6) months of total operating expenses as identified in the adopted budget for the current fiscal year. This level of reserve will provide customers and outside parties assurance that the Agency can operate for at least four months despite a significant shortfall in revenues or unplanned increase in expenses. The target level minimizes the risk of significant rate fluctuations as a result of unforeseen events.

Usage Requirements: This reserve can only be drawn upon if the Agency's operating revenues are not sufficient to pay operating expenses. Draws from these reserves shall be replenished within twelve months after use.

Target Level: The target level for Operating Contingency Reserve levels shall be maintained at a minimum of four (4) months, as mandated by legal requirements, and a target of six (6) months of the fund (program) adopted operating expenses for the current fiscal year.

Funding Source: Operating Contingency Reserve will be funded from net system revenues, (total operating revenues less total operating expenses).

Review Timeline: Fund balances and target level will be reviewed by staff and the Board as part of the preparation and approval of the Agency's operations and maintenance (O&M) and capital budget.

Debt Service Reserves

Purpose: As required by bond covenants and loan agreements, debt service reserves are maintained to support payment of principal and interest on outstanding obligations.

Usage Requirements: Debt service reserves will only be used to pay debt service costs when pledged net revenues (as defined in the relevant debt instruments) are insufficient to meet the principal and interest payments.

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Target Level: The target is equal to the highest annual debt service cost in the ensuing five (5) years. The minimum target will be funded to meet reserve requirements.

Funding Source: Includes one or combination of system revenues, property tax receipts, and/or restricted debt service accounts established as part of the original debt issuance.

Review Timeline: Fund balances and target level will be reviewed by staff and the Board as part of the preparation and approval of the Agency's O&M and capital budget.

Water Connection Reserves

Purpose: Water Connection reserves are restricted accounts established by the Agency to hold new water connection fees collected in the Agency's service area, in accordance with the ordinance on Water Connection Fees, Class of Water Service and Regulating the Sale and Delivery of Water within the Inland Empire Utilities Agency Service Area Water Ordinance (Water Ordinance).

Usage Requirements: Pursuant to the Water Ordinance, funds in this reserve are restricted to support capital acquisition, construction, equipment and process improvement costs, and related financing for the Agency's water and recycled water systems. The Agency collects the water connection fees and finances capital projects, as needed in the Water Resources (WW) Fund and Recycled Water (WC) Fund, to support the planned Capital Improvement Plan (CIP).

Target Balance: No set target is defined. Water Connection reserve balance will depend on the level of new development and the Agency's funding requirements to support the planned CIP in the WW and WC funds.

Funding Source: New water connections fees collected by the Agency for connection to the Agency's recycled water and water systems.

Review Timeline: Fund balances and target level will be reviewed by staff and the Board as part of the preparation and approval of the Agency's O&M and capital budget.

DESIGNATED FUND BALANCES

Capital Construction Reserves

Purpose: Capital construction reserve funds are used to finance capital investments such as construction, improvement or expansion of facilities and infrastructure, as well as acquisition of major equipment and technology. The services provided by the Agency are critical to the health and welfare of the citizens within the Agency's service area. The Agency is committed to ensure that systems are managed and constructed so that 90% of capacity is never exceeded (Business Goal; Wastewater Management Capacity). The reserve will include the Capital Capacity

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RESERVE POLICY
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Reimbursement Accounts (CCRA) which was established by each of the Agency's "contracting member agencies" to hold new EDU connections fees collected in their respective service area, in accordance with the Regional Sewage Service Contract (Regional Contract).

Usage Requirements: Accessed, as needed, to fund capital investments based on the Agency's TYCIP and other long term planning documents including but not limited to: the Asset Management Plan, Integrated Resources Plan, Recycled Water Plan, Wastewater Facilities Master Plan, and Energy Plan.

Pursuant to the Regional Contract, CCRA funds, included in this reserve, are restricted to support capital acquisition, construction, equipment and process improvement costs, and related financing for the Agency's regional wastewater system. The Agency draws, or "calls", CCRA funds from member agencies as needed to support capital expenditures in the Regional Wastewater Capital Improvement (RC) fund, if and when, capital construction reserves held by the Agency are not sufficient.

Target Balance: The maximum target level will be reviewed annually and each program fund can apply one of the following options to calculate the target reserve in reference to the program fund's CIP costs and funding support (e.g. bond or loan proceeds):

- a) Maximum target level is equal to ten year average of CIP times three (3) fiscal year, or
- b) Maximum target level is equal to ten year average of pay-go times three (3) fiscal years, as identified in the TYCIP. Pay-go for capital construction is CIP costs net of bond or loan proceeds.

The minimum target level is equal to ten year average of CIP costs.

Funding Source: Combination of system revenues generated from rates and user charges, property tax receipts, debt proceeds issued to finance specific capital investments, and new EDU connections fees collected by each contracting member agency for connection to the Agency's regional wastewater system.

Review Timeline: Fund balances and target level will be reviewed by staff and the Board as part of the preparation and approval of the Agency's O&M and capital budget.

Replacement and Rehabilitation (R&R) Reserves

Purpose: Maintaining assets in an operating condition to meet the Agency's level of service commitment to provide reliable and high quality services requires timely and adequate investment in replacement and rehabilitation (R&R) of Agency assets. R&R is defined as an expense which will extend, as opposed to maintain, an asset's useful life. The basis for R&R requirements will be end of useful life and condition assessments conducted by Engineering,

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RESERVE POLICY
May 2016**

ATTACHMENT A

Maintenance and Operations and reported in Asset Management Report updated every 3 to 5 years. The Agency's ultimate goal is finance planned R&R requirements with user rates and charges. This goal is consistent with the Regional Sewage Service Contract which requires the volumetric EDU rate to fully support operating, administration and R&R costs for the regional wastewater program.

Usage Requirements: As needed to finance unplanned R&R requirements, including R&R requirements identified in the Agency's asset management report but scheduled in subsequent fiscal years.

Target Balance: The maximum target level will be reviewed annually and can apply one of the following options to calculate the target reserve in reference to the program fund's R&R costs and funding support (e.g. bond or loan proceeds):

- a) Maximum target level is equal to ten year average of R&R costs times three (3) fiscal year, or
- b) Maximum target level is equal to ten year average of R&R pay-go times three (3) fiscal years, as identified in the TYCIP. Pay-go is R&R costs net of bond or loan proceeds.

The minimum target will be the total ten year average R&R costs.

Funding Source: System revenues generated from rates and user charges, net of operating costs and debt service costs.

Review Timeline: Fund balances and target level will be reviewed by staff and the Board as part of the preparation and approval of the Agency's O&M and capital budget.

Self-Insurance Program Reserve

Purpose: An exposure/liability reserve shall be maintained for costs not covered by the Agency's insurance policies, such as claim costs within the Agency's deductibles, self-insurance retentions, and/or costs associated with disasters, and other events that are not reimbursable from insurance. The reserve shall also provide funding to mitigate various catastrophic and other events that may or may not be covered by insurance. These events may include, but are not limited to; legal settlements, terrorist attacks, natural disasters, such as earthquakes, and severe weather storms.

Additionally, the Agency has elected to self-insure for potential workers' compensation claims. With a workforce of nearly 300, the Agency's exposure to work-related injuries increases.

Usage Requirements: Accessed as needed for non-recoverable expenses associated with claims against the Agency. In the event of a claim in excess of policy limitations and available operating funds, the reserve will be used to satisfy that claim. In the event of a workers'

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compensation claim(s) in excess of policy limitations and available operating funds, the reserve will be used to satisfy the claim and/or to pay legal expenses defending the claim

Target Level: The target level will be set at \$6 million, including \$1,000,000 maximum exposure per occurrence for workers compensation claim.

Funding Source: Property tax receipts allocated to the Administrative Services (GG) fund and inter-fund transfers from other funds, as needed.

Review Date: Fund balance to be analyzed by Risk Management every two years to determine an appropriate funding level.

Water Resources Capital Reserve

Purpose: This reserve will support investment in regional water resources projects and supplemental water purchases for purposes of increasing water use efficiency, water quality, water reliability and water sustainability in the Chino Basin (Business Goal: Water Reliability). Projects include but is not limited to; regional water storage, related infrastructure and investments.

Usage Requirements: Finance regional water resource management projects identified in the Agency's long term planning documents, such as; Integrated Resources Plan (IRP), Urban Water Management Plan (UWMP), and Water Use Efficiency Business Plan (WUEBP)

Target Level: A minimum target level of \$10 million and a target level of \$30 million.

Funding Source: Combination of water connection fees, property tax receipts, net proceeds from the sale of supplemental water, and inter-fund loans, as needed.

Review Timeline: Fund balances and target level will be reviewed by staff and the Board as part of the preparation and approval of the Agency's O&M and capital budget.

Sinking Fund Reserve

Purpose: Sinking fund reserves are the systematic accumulation of funds set aside for a specified time frame for the specific purpose of funding major capital projects that cannot be funded by rates/fees or issuance of new debt. These funds are restricted to support the anticipated costs related to the planned rehabilitation of Regional Plant No. 1, future decommissioning of Regional Plant No. 2, or prepayment of debt. Reserves can be used for the design, capital acquisition, construction, equipment and process improvement costs and debt defeasance.

Usage Requirements: This reserve can only be drawn upon for the designated purpose for which it was established, unless otherwise approved by the Board of Directors.

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Target Level: The maximum target balance in the Sinking Fund Reserves shall be determined based on the designated capital needs as approved by Agency's Board of Directors.

Funding Source: Sinking Fund Reserve will be funded by property tax receipts and if needed, rates and charges.

Review Timeline: Fund balances and target level will be reviewed by staff and the Board as part of the preparation and approval of the Agency's operations and maintenance (O&M) and capital budget.

UNDESIGNATED FUND BALANCES

Employee Retirement Benefit Reserve

Purpose: The Agency provides postemployment pension and medical benefits to eligible employees who retire from the Agency. For pension benefits, the Agency contributes to a defined benefit pension plan under the California Pension Employees' Retirement System (CalPERS). CalPERS is also the provider of retiree medical coverage benefits, which is referred to as other post-employment benefits (OPEB).

Like most public Agencies, the Agency is facing growing unfunded accrued liabilities (UALs) for postretirement benefits. A key objective of the Agency is to develop a funding strategy to fully fund UALs over an appropriate period of time in order to safeguard retiree benefits and the Agency's financial health.

Usage Requirements: To mitigate the impact of annual increase of the annual contribution amounts in excess of the budgeted amount

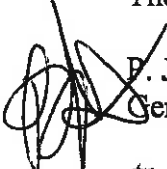

Target Level: This minimum target amount will be set at \$6 million and increased annually up to the target level. The target level will be adjusted based on the total Annual Required Contribution (ARC) amount budgeted in the subsequent fiscal year.

Funding Source: Combination of property tax receipts and indirect allocation of employment costs across all Agency funds (programs) from the Administrative Services (GG) fund.

Review Timeline: Reserves will be adjusted in conjunction with the annual actuarial valuation updates for pension and biennially for OPEB

**ACTION
ITEM**

4A

Date: May 18, 2016
To: The Honorable Board of Directors
From:  P. Joseph Grindstaff
General Manager
Submitted by:  Christina Valencia
Chief Financial Officer/Assistant General Manager
Subject: Approval of San Bernardino County Successor Agency Compensation Agreements

RECOMMENDATION

It is recommended that the Board of Directors;

1. Approve the Compensation Agreement between the San Bernardino County Successor Agency to the former Redevelopment Agency (Successor Agency), IEUA, and other affected taxing entities for the transfer to the County of San Bernardino (County) of the property commonly known as the "Speedway Property" for future development;
2. Approve the Compensation Agreement between the Successor Agency, IEUA, and other affected taxing entities for the transfer to the County of the property commonly known as the "Rosemary and Iris Property" for future development;
3. Approve the Compensation Agreement between the Successor Agency, IEUA, and other affected taxing entities for the transfer to the County of the property commonly known as the "Fire Station Property" to be retained for government use as it was designated for a fire station and public safety office; and
4. Authorize the General Manager to execute the Compensation Agreements.

BACKGROUND

The Successor Agency to the former Redevelopment Agency of the County of San Bernardino owns the three properties which are to be transferred to the County and are the subject of these compensation agreements. The properties are located within the San Sevaine Project Area.

- **The Cherry and Randall ("Speedway") Property** is the largest of the Successor Agency's properties at 14.33 acres, and located directly east of the Auto Club Speedway

at 14544-14636 Randall Avenue and 9235-9295 Cherry Avenue. The Former Redevelopment Agency acquired the twelve parcels between 2008 and 2012 as part of a strategic acquisition program to facilitate development opportunities. Though it once had some developed buildings, the property is now vacant. Neither the County nor any other taxing entity will receive any compensation for the transfer of the property from the Successor Agency to the County. Should the property be sold, the proceeds will be distributed among the taxing entities. The County is in negotiations with a developer, TEC, who is proposing to develop and operate a trucking company on the site.

- **The Iris and Rosemary Property** is located at 9911 and 9935 Calabash Avenue, 13921-14050 Iris Drive, and 13920-14048 Rosemary Drive and consists of 9.14 acres. The Iris and Rosemary neighborhood is a single family residential pocket located between San Bernardino Avenue and Valley Boulevard, surrounded by industrial uses and is zoned IC, Community Industrial. All of the 48 properties owned by the Successor Agency have been cleared. However, there are 16 properties that remain privately owned with residential improvements. Neither the County nor any other taxing entity will receive any compensation for the transfer of the property from the Successor Agency to the County. Should the property be sold, the proceeds will be distributed among the taxing entities.
- **The Fire Station Property** is located on the south side of San Bernardino Avenue, just east of Commerce Drive and consists of 2.36 acres. This property was donated by the Catellus Commercial Group to the Former Redevelopment Agency for the purposes of building a new fire station and county safety office to serve local area residents. The Successor Agency proposes to transfer this property as a government use as it was originally designated. Furthermore, neither tax increment nor bond proceeds secured by tax increment were used to acquire the site, as it was donated. As a government use site, the property has a market value of \$0. Under the Long Range Property Management Plan (LRPMP), the Property is required to be used and continuously operated and maintained for a municipal use. Neither the County nor any other taxing entity will receive any compensation for the transfer of the property from the Successor Agency to the County. If ever, the County determines that the site is no longer suitable for a municipal use or desires to use the property for anything but a municipal use, the proceeds of a sale will be distributed among the taxing entities.

Key business points of the compensation agreement for all taxing entities include:

- The County agrees to transfer the Fire Station Property for government use.
- The County agrees to retain the Cherry and Randall and Rosemary and Iris properties for future development.
- Taxing entities party to the agreement will receive future compensation when the property is sold; the compensation would equal the proportional share of the base property tax as determined pursuant to Health and Safety Code Section 34188 and as summarized in Exhibit A: Property Tax Share by Affected Entities/Fund.
- The County will provide notice of the disposition of the property.

- A Memorandum describing the Agreements will be recorded against the title to the properties to ensure that the taxing entities receive their proportional share of the net sales proceeds when the property is sold in the future.

The Agency’s special counsel, Mark Austin of Rutan and Tucker, LLP, was instrumental in modifying the compensation agreements to ensure any temporary income (net of costs) and proceeds from the future disposition of the properties would be distributed to the affected taxing entities in accordance with their proportional shares of the base property tax revenues pursuant to Health and Safety Code 34180(f). The table below summarizes the Agency’s proportional share of the estimated sales proceeds based on the most recent valuation.

S. B. County Successor Agency Proposed Property Disposal

San Sevaime Area Vacant Land	Acres	Valuation	Proposed Disposal	IEUA Estimated Share (.000451%)
Future Fire Station	2.36	NA	Governmental Use	N/A
Rosemary and Iris	9.14	\$1.7M	Future Development	\$77,000
Cherry and Randall	14.3	\$3.4M to \$5.1M		\$153,000 - \$230,000

Copies of the Compensation Agreements and excerpts from the LRPF for the three properties are attached for your review.

PRIOR BOARD ACTION

None.

IMPACT ON BUDGET

None.

Attachments:

- Attachment A: Cherry and Randall (Speedway) Property Compensation Agreement
- Attachment B: Iris and Rosemary Property Compensation Agreement
- Attachment C: Fire Station Site Compensation Agreement
- Exhibit B: LRFP excerpts

Exhibit A

Property Tax Share by Affected Taxing Entities/Fund

Taxing Entity/Fund	Property Tax Share
County of San Bernardino -General Fund	16.89%
Education Revenue Augmentation Fund (ERAF)	21.73%
SB County Flood Control	2.70%
SB County Free Library	1.39%
SB County Superintendent of Schools	.91%
City of Fontana	.05%
Fontana Fire Protection District	18.12%
Cucamonga Elementary School District	4.24%
Etiwanda Elementary School District	2.44%
Chaffey Joint Union High School District	5.76%
Chaffey Community College	4.15%
Fontana Unified School District	16.52%
County Service Area (SL-1)	.40%
Inland Empire Joint Resource Conservation District	0.19%
Inland Empire Utilities Agency	4.51%
	100.00%

COMPENSATION AGREEMENT
(Cherry and Randall Site)

This Agreement, dated for reference purposes as of June 14, 2016 is entered into by and among the San Bernardino County Successor Agency (successor in interest to the dissolved San Bernardino County Redevelopment Agency), the County of San Bernardino, the San Bernardino County Flood Control District, the San Bernardino County Free Library, the San Bernardino County Superintendent of Schools, City of Fontana, the Fontana Fire Protection District, the Cucamonga Elementary School District, the Etiwanda Elementary School District, the Chaffey Community College District, the Chaffey Joint Union High School District, the Fontana Unified School District, the County Service Area (SL-1), Inland Empire Resource Conservation District, and the Inland Empire Utilities Agency, on the basis of the following facts, understandings, and intentions of the Parties:

RECITALS

A. These Recitals refer to and utilize certain capitalized terms which are defined in Section 1 of this Agreement. The Parties intend to refer to those definitions in connection with the use thereof in this Agreement.

B. Pursuant to the Redevelopment Dissolution Statutes, and the decision in *Community Redevelopment Association v. Matosantos* (2011) 53 Cal.4th 231, the San Bernardino County Redevelopment Agency (the "Former RDA") was dissolved as of February 1, 2012, and the Successor Agency became responsible for paying the enforceable obligations, disposing of the properties and other assets, and unwinding the affairs of the Former RDA.

C. Accordingly, ownership of the Former RDA's properties that had been acquired to implement the Redevelopment Plan transferred to the Successor Agency for disposition in accordance with the Redevelopment Dissolution Statutes.

D. The Successor Agency received a "finding of completion," pursuant to Health and Safety Code Section 34179.7, from the DOF on December 5, 2013, confirming that the Successor Agency had made specified required payments under the Redevelopment Dissolution Statutes, and entitling the Successor Agency to prepare and submit a Long-Range Property Management Plan to the Oversight Board and the DOF for approval.

E. The Successor Agency initially prepared and obtained Oversight Board approval of its LRPMP (as defined in Section 1.1(q) below) on June 5, 2014, calling for, among other things, the Former RDA's properties to be transferred by the Successor Agency to the County for liquidation, governmental use, and future disposition by the County and development by selected Developers to implement projects identified in the Redevelopment Plan (all as specified in the initial LRPMP).

F. The DOF directed that, in order to obtain DOF approval, the initial LRPMP needed to be amended to provide for preparation and execution of a compensation agreement among the County and the Taxing Entities pursuant to Health and Safety Code Section 34180(f),

providing for specified proceeds of the County's subsequent disposition of the Former RDA properties to be distributed to the Taxing Entities in accordance with their proportional shares of the base property tax revenues.

G. To comply with this DOF directive, the Successor Agency revised the LRPMP through an amendment approved by the Oversight Board and submitted to the DOF in September 2014. The DOF approved the LRPMP by determination letter issued on September 10, 2015.

H. Under the approved LRPMP, the Successor Agency is authorized to transfer approximately 14.33-acres of real property located at 14544 – 14636 Randall Ave. and 9235 – 9295 Cherry Ave, within the San Sevaine Project Area, APN Nos. 0231-021-25; 0231-021-54, 0231-021-55, 0231-021-32, 0231-01-24, 0231-021-48, 0231-021-57, 0231-021-76, 0231-021-82, 0231-021-84, and 0231-021-83, and further described in Exhibit A incorporated herein by reference (the "Property") to the County, subject to the terms of this Agreement.

I. As designated in the LRPMP, the County will retain the Property for future development for a project in approved redevelopment plan as allowed under Health and Safety Code Section 34191.5(c)(2).

J. The Parties are entering into this Agreement to comply with the terms of the revised LRPMP.

NOW, THEREFORE, the Parties agree as follows:

Section 1. Definitions. The following definitions shall apply in this Agreement:

(a) "Agreement" means this Compensation Agreement, as this Agreement may be amended from time to time.

(b) "Applicable Shares" has the meaning given in Section 6(a).

(c) "Auditor-Controller" means the San Bernardino County Auditor-Controller, Treasurer, and Tax Collector.

(d) "Close of Escrow" means the date the Property is transferred by a grant deed recorded in the official records of the County.

(e) "County" means the County of San Bernardino, a political subdivision of the State of California, or its assigns.

(f) "DDA" means the disposition and development agreement between the County and the Developer for the development of the Property for a project in an approved redevelopment plan.

(g) "Developer" means, the developer to which the County disposes the Property pursuant to a DDA.

(h) "Disposition Proceeds" means, with respect to the Property, any Temporary Rental Income PLUS the gross purchase price and other compensation, if any, actually received by the County from the Developer in consideration for the disposition of the Property pursuant to the DDA pursuant to Section 5(a) or the FMV Retention Value payment made pursuant to Section 5(d) LESS any proceeds of sale that are restricted by virtue of the source of funds (e.g. grant funds or proceeds of bonds) that were used for the original acquisition or improvement of the Property, and less the sum of the County's actual costs for the following items (but only to the extent paid from County funds and not from funds provided by the Successor Agency, a Developer, or another separate entity), each to be substantiated and documented in reasonable detail in the Disposition Proceeds Statement for the Property:

(1) the County's actual costs, not to exceed an average of One Thousand Dollars (\$1,000) per month, for normal maintenance, management and insurance of the applicable Property from the date the Property is transferred by the Successor Agency to the County pursuant to Section 4 to the date the Property is disposed of by the County to the Developer pursuant to the DDA pursuant to Section 5(a) or to the date the County makes the FMV Retention Value payment pursuant to Section 5(d); plus

(2) the County's actual costs of any capital improvements or repairs to maintain the Property in a safe and lawful condition incurred from the date the Property is transferred by the Successor Agency to the County pursuant to Section 4 to the date the Property is disposed of by the County to the Developer pursuant to the DDA pursuant to Section 5(a) or to the date the County makes the FMV Retention Value payment pursuant to Section 5(d);

(3) the County's actual costs of site preparation, including hazardous materials remediation and pollution legal liability insurance premiums, if any, required to be paid by the County under the DDA for the applicable Property to prepare the Property for disposition, but only to the extent the Property is disposed of by the County to the Developer pursuant to the DDA pursuant to Section 5(a); plus

(4) the County's actual costs, to pay third party vendors for appraisal, legal, real estate consultant and marketing, title company, title insurance and to the extent applicable any other costs related to Developer selection, DDA preparation and approval, and closing costs for disposition of the Property but only to the extent the Property is disposed of by the County to the Developer pursuant to the DDA pursuant to Section 5(a); plus

(5) any broker's commissions payable by the County pursuant to the DDA for the Property but only to the extent the Property is disposed of by the County to the Developer pursuant to the DDA pursuant to Section 5(a).

(i) "Disposition Proceeds Receipt Date" means the date on which the County receives the proceeds from the disposition of the Property to the Developer pursuant to a DDA under Section 5(a) or the date the County makes the FMV Retention Value payment pursuant to Section 5(d).

(j) "Disposition Proceeds Statement" means the statement prepared by the County and delivered to the Taxing Entities in accordance with Section 5(b).

- (k) "DOF" means the California Department of Finance.
- (l) "Effective Date" has the meaning given in Section 2.
- (m) "ERAF" means the County Educational Revenue Augmentation Fund.
- (n) "Escrow Agent" means Old Republic Title Company, 555 12th Street Suite 2000, Oakland, CA 92108, or such other title company selected by the County.
- (o) "Fiscal Year" means the fiscal year of the County in effect from time to time. The current Fiscal Year period of the County commences on July 1 of each calendar year and ends on the following June 30.
- (p) "Former RDA" has the meaning set forth in Recital B.
- (q) "LRPMP" means the Long-Range Property Management Plan of the Successor Agency as it exists from time to time. As of the date of this Agreement, the LRPMP consists of the revised Long-Range Property Management Plan dated September 15, 2014 as approved by the Oversight Board on June 05, 2014(the "Initial LRPMP"). The DOF approved the LRPMP in the determination letter dated September 10, 2015.
- (r) "Notice of Compensation Agreement" has the meaning given in Section 2(c).
- (s) "Notice of FMV Payment" has the meaning given in Section 5.
- (t) "Oversight Board" means the Successor Agency's oversight board established and acting in accordance with the Redevelopment Dissolution Statutes.
- (u) "Parties" means all of the parties to this Agreement as set forth in the opening paragraph of this Agreement. "Party" means one of the Parties individually.
- (v) "Property" has the meaning set forth in Recital H.
- (w) "Redevelopment Dissolution Statutes" means collectively ABx1 26 enacted in June 2011, AB 1484 enacted in June 2012, and SB 107, enacted September 2015, and any future amendments that may apply.
- (x) "Redevelopment Plan" means the San Sevaine Redevelopment Plan.
- (y) "Successor Agency" means the Successor Agency of the Redevelopment Agency of the County of San Bernardino.
- (z) "Taxing Entities" means, collectively, the following entities that comprise affected taxing entities for purposes of the Redevelopment Dissolution Statutes: the County of San Bernardino, the San Bernardino County Flood Control District, the San Bernardino County Free Library, the San Bernardino County Superintendent of Schools, the

Fontana Fire Protection District, the Chaffey Community College District, the Chaffey Joint Union High School District, the Etiwanda School District, the Cucamonga School District, the City of Fontana, the Fontana Unified School District, the County Service Area (SL-1), Inland Empire Resource Conservation District, and the Inland Empire Utilities Agency. "Taxing Entities" shall also mean and include ERAF if and to the extent the Auditor- Controller determines that ERAF is entitled to a distribution of compensation pursuant to Section 6 and the provisions of Health and Safety Code Section 34188. Notwithstanding anything to the contrary herein, ERAF is only considered a Taxing Entity for purposes of distributing funds and for no other purpose, and no additional approval or signature will be required on behalf of ERAF.

(aa) "Temporary Rental Income" means any lease rental income, use fee income or other income, if any, that may be received by the County with respect to the Property minus the documented costs to the County of improvement, operation and maintenance of the Property for the temporary use prior to the transfer of the Property pursuant to the DDA.

Section 2. Effectiveness of Agreement.

(a) This Agreement shall become effective only upon satisfaction of the following conditions:

(1) Approval of this Agreement by the Taxing Entities' governing boards and direction for the Taxing Entities to execute this Agreement;

(2) Approval of this Agreement by the Successor Agency's governing board and direction for the Successor Agency to execute and implement this Agreement pursuant to Health and Safety Code Section 34180(f); and

(3) The signing of this Agreement by authorized representatives of all the Parties.

(b) Promptly following the effectiveness of this Agreement, the County and the Successor Agency shall transmit notice to all the other Parties that the Agreement is effective and specifying the date the Agreement became effective (the "Effective Date").

(c) No later than fourteen (14) business days after the Effective Date, the County shall record in the Official Records of the County of San Bernardino a notice of Compensation Agreement substantially in the form attached hereto as Exhibit D (the "Notice of Compensation Agreement"), incorporated herein by this reference. The County shall mail a copy of the recorded Notice of Compensation Agreement within a reasonable time of receipt of the recorded Notice of Compensation Agreement.

Section 3. Signatories With Respect To Certain Funds.

(a) Superintendent of Schools. The San Bernardino County Superintendent of Schools (the "Superintendent") administers the following special districts and funds, and, in addition to entering into this Agreement for itself, is authorized to, and has entered into and executed this Agreement on behalf of the following:

- (1) County Superintendent _____ Fund (BS01-GA01);
- (2) County Superintendent _____ Fund (BS01-GA02);
- (3) County Superintendent _____ Fund (BS01-GA03); and
- (4) County Superintendent _____ Fund (BS01-GA04).

(b) Inland Empire Utilities Agency. The Inland Empire Utilities Agency (the "Utilities Agency") administers the following special districts and funds, and, in addition to entering into this Agreement for itself, is authorized to, and has entered into and executed this Agreement on behalf of the following:

- (1) Utilities Agency Fund _____ (WU08-GA01); and
- (2) Utilities Agency Fund _____ (WU08-GA05).

(c) ERAF. ERAF may be entitled to a distribution pursuant to Section 6 of a portion of the Disposition Proceeds from the disposition of each Property. Pursuant to instruction and direction from the DOF and the Auditor-Controller, there is no need for a separate signatory to execute this Agreement on behalf of ERAF because the ultimate beneficiaries of any distribution of Disposition Proceeds to ERAF are themselves Taxing Entities that are signatories to this Agreement.

(d) County Districts. The County of San Bernardino administers funds for the following special districts and funds, and, in addition to entering into this Agreement for itself, is authorized to, and has entered into this Agreement on behalf of the following:

- (1) San Bernardino County Free Library;
- (2) County Service Area (SL-1)
- (3) Flood Control District;
- (4) Flood Control Zone 1; and
- (5) Flood Control Administration 1 &2.

Section 4. Conveyance of Property to County. Promptly following the Effective Date, the Successor Agency shall convey, and the County shall accept, all of the interest in and to the Properties. The Successor Agency shall convey the Properties by deed in a form reasonably acceptable to the Successor Agency and the County. In accordance with Health and Safety Code Sections 34179(h)(1)(D) and (E), and Section 34191.5(f), no further approval of the Oversight Board or the DOF will be necessary to effectuate the transfers contemplated herein, to the extent those transfers are consistent with the approved LRPMP.

Section 5. Disposition of Properties by County.

(a) Within a time frame determined by the County to yield a financially feasible and marketable development and in accordance with the procedures and requirements set forth herein, the County shall use diligent good faith efforts to select a Developer for the Property, negotiate and obtain approval and execution of the DDA for the Property, and dispose of the Property to the Developer in accordance with the DDA in order to obtain the Disposition Proceeds for distribution through the Escrow Agent to the Taxing Entities pursuant to Section 6 and to enable development of the Property in accordance with the Redevelopment Plan and LRPMP. As required by Government Code Section 52201, the purchase price payable to the County for each Property under the applicable DDA shall be an amount that is determined to be not less than the Property's fair market value at highest and best use, or the Property's fair reuse value at the use and with the covenants and conditions and development costs authorized by the DDA.

(b) By not later than the date of first published notice of the Board of Supervisors public hearing for the DDA (the "DDA Public Hearing Notice"), the County shall provide each Taxing Entity with a copy of the DDA Public Hearing Notice (including the date, time and location of the public hearing and the location at which the proposed DDA may be inspected and copied), and a statement setting forth the proposed purchase price to be paid to the County under the proposed DDA.

(c) Upon the execution of the DDA for each Property, the County shall transmit a copy of the executed DDA to the other Parties.

(d) Notwithstanding anything to the contrary, any time prior to a Transfer of the Property under a DDA, the County may at its sole and absolute discretion, elect to retain the Property, or any portion thereof, to perform development activities funded from the County's own funds under the County's auspices. If the County elects to retain the Property pursuant to this Section 5(d), the County must pay to the Taxing Entities the higher of: (i) the current fair market value of the property retained by the County or (ii) the fair market value, as of the 2011 tax lien date, of the Property or such portion thereof retained by the County (the "FMV Retention Value"). The appraisals required under this section shall be performed by an independent certified Member of Appraisal Institute (MAI) appraiser or other qualified real estate appraiser approved by the Successor Agency's Oversight Board. The appraisal shall be based upon the best available sales prices of comparable properties sold in the market area during the preceding six (6)-month period or such other time period deemed appropriate by the appraiser. The appraisal shall utilize a date of value that is no more than sixty (60) calendar days from the date the County makes the payment under this Section 6(d) (the "FMV Compensation Date"). At least thirty (30) calendar days prior to the Net Proceeds Disposition Date, the County shall provide each Taxing Entity with a copy of the appraisal, and a statement setting forth the FMV Retention Value to be paid by the County (the "Notice of FMV Payment").

Section 6. Compensation To Taxing Entities Related To Disposition Proceeds.

(a) Distribution of Disposition Proceeds. At the Close of Escrow for the Property, the County shall remit any Temporary Rental Income (if any) and the Developer shall remit the Disposition Proceeds to the Escrow Agent for immediate distribution by Escrow Agent to the Taxing Entities.

No later than five (5) business days after the Disposition Proceeds Receipt Date, the Escrow Agent shall disburse the Disposition Proceeds among the Taxing Entities in proportion to their shares of the base property tax (the "Applicable Shares"), as determined by the Auditor-Controller pursuant to Health and Safety Code Section 34188. The attached Exhibit C shows, for illustrative purposes only, the Applicable Shares of the Taxing Entities that would have applied to a distribution under this Section 6 had the distribution been made on January 1, 2016, as provided by the Auditor-Controller.

(b) Accounting Requirements. At the time of a distribution pursuant to subsection 6(a) above, the County shall provide to the Escrow Agent, the Taxing Entities and the Auditor-Controller a statement prepared in accordance with sound accounting practice that provides the County's calculation of the Disposition Proceeds (the "Disposition Proceeds Statement"). The County shall keep complete, accurate and appropriate books and records of its calculation of the Disposition Proceeds with respect to such distribution. The Auditor-Controller shall have the right, on behalf of the Taxing Entities and upon reasonable written notice to County, to audit and examine such books, records and documents and other relevant items in the possession of the County, but only to the extent necessary for a proper determination of Disposition Proceeds. The Escrow Agent shall have no liability for any distributions made pursuant to this Agreement.

Section 7. Release of Notice of Compensation Agreement. On and after the Close of Escrow and the distribution by the Escrow Agent of any applicable Disposition Proceeds for the Property, the County shall have the authority to release from the Official Records the Notice of Compensation Agreement as an encumbrance against the Property.

Section 8. Term of Agreement; Early Termination.

(a) Term. The term of this Agreement shall commence on the Effective Date and, unless sooner terminated as otherwise provided in this Agreement, shall expire upon the distribution by the Escrow Agent of the Disposition Proceeds owed to Taxing Entities under this Agreement, if any.

(b) Early Termination. Notwithstanding any other provision of this Agreement or the LRPMP, a Party may terminate this Agreement upon written notice to the other Parties if a court order, legislation, or DOF policy reverses the DOF's directive regarding the need for this Agreement and the payment of compensation by the County pursuant to Health and Safety Code Section 34180(f) (an "Early Termination"). Subject to the satisfaction of such condition, an Early Termination shall become effective five (5) days after the terminating Party delivers the required notice to the other Parties in accordance with Section 9(a). Upon effectiveness of an Early Termination, no Party shall have any further rights or obligations under this Agreement, and the County may retain the all proceeds from the sale of the Property; provided, however, that the County shall have no right to recover any Disposition Proceeds from any Taxing Entity that were distributed through the Escrow Agent pursuant to Section 7 hereof, prior to the effective date of the Early Termination.

Section 9. Miscellaneous Provisions.

(a) Notices. All notices, statements, or other communications made pursuant to this Agreement to another Party or Parties shall be in writing, and shall be sufficiently given and served upon the Party if sent by: (1) United States certified mail, return receipt requested, postage prepaid; or (2) nationally recognized overnight courier, with charges prepaid or charged to sender's account, and addressed to the applicable Party in the manner specified in the attached Exhibit A. Any Party may change its address for notice purposes by written notice to the other Parties prepared and delivered in accordance with the provisions of this Section 9(a).

(b) No Third Party Beneficiaries. No person or entity other than the Parties and their permitted successors and assigns, shall have any right of action under this Agreement.

(c) Litigation Regarding Agreement. In the event litigation is initiated by a non-Party attacking the validity of this Agreement, each Party that is not a claimant, and does not become a claimant, in such litigation, shall in good faith defend and seek to uphold the Agreement; provided, however, that the costs of such litigation, including reasonable costs incurred by any non-claimant Taxing Entities in such litigation, shall be borne solely by the County and/or the Successor Agency.

(d) State Law; Venue. This Agreement, and the rights and obligations of the Parties hereto, shall be construed and enforced in accordance with the laws of the State of California. Any action to enforce or interpret this Agreement shall be filed and heard in the Superior Court of San Bernardino County, California or in the Federal District Court for the Central District of California.

(e) Attorneys' Fees. In any action which a Party brings to enforce its rights hereunder, the unsuccessful Party or Parties shall pay all costs incurred by the prevailing party, including reasonable attorneys' fees.

(f) Entire Agreement; Amendment. This Agreement constitutes the entire and integrated agreement of the Parties and supersedes all prior negotiations, representations, or agreements, either written or oral, relating to the subject matter of this Agreement. This Agreement may be modified only in writing and only if approved and signed by all of the Parties.

(g) Counterparts. This Agreement may be executed in counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same agreement. The signature page of any counterpart may be detached therefrom without impairing the legal effect of the signature(s) thereon, provided such signature page is attached to any other counterpart identical thereto having additional signature pages executed by the other Parties. Any executed counterpart of this Agreement may be delivered to the other Parties by facsimile and shall be deemed as binding as if an originally signed counterpart was delivered.

(h) Non-Waiver. No waiver of a breach, failure of any condition, or any right or remedy contained in or granted by the provisions of this Agreement will be effective unless it is in writing and signed by the waiving Parties.

(i) No Partnership. Nothing contained in this Agreement shall be construed to constitute any Party as a partner, employee, joint venturer, or agent of any other Party.

(j) Ambiguities. Any rule of construction to the effect that ambiguities are to be resolved against the drafting party does not apply in interpreting this Agreement.

(k) Exhibits. The following exhibits are incorporated in this Agreement by reference:

Exhibit A: Property Legal Description

Exhibit B: List of Addresses for Notice Purposes

Exhibit C: Illustrative Taxing Entities Applicable Shares of Property Taxes

Exhibit D: Notice of Compensation Agreement

(l) Severability. If any term, provision, or condition of this Agreement is held by a court of competent jurisdiction to be invalid or unenforceable, the remainder of this Agreement shall continue in full force and effect unless an essential purpose of this Agreement is defeated by such invalidity or unenforceability.

(m) Action or Approval. Whenever action and/or approval by the County is required under this Agreement, the County Chief Executive Officer or the County Chief Executive Officer's designee may act on and/or approve such matter unless specifically provided otherwise, or unless the County Chief Executive Officer determines in the County Chief Executive Officer's discretion that such action or approval requires referral to the Board of Supervisors for consideration. Whenever action and/or approval by the Successor Agency is required under this Agreement, the Successor Agency Executive Director or the Successor Agency Executive Director's designee may act on and/or approve such matter unless specifically provided otherwise, or unless the Successor Agency Executive Director determines in the Successor Agency Executive Director's discretion that such action or approval requires referral to the Successor Agency Board for consideration.

[SIGNATURE PAGES FOLLOW]

IN WITNESS WHEREOF, the Parties hereto have executed this Agreement as of the dates set forth in the opening paragraph of this Agreement.

SAN BERNARDINO COUNTY SUCCESSOR
AGENCY, a separate legal entity pursuant to
Health & Safety Code §34173

COUNTY OF SAN BERNARDINO

By:

James Ramos, Chairman,
Successor Agency Governing Board

Dated:

SIGNED AND CERTIFIED THAT A
COPY OF THIS DOCUMENT HAS
BEEN DELIVERED TO THE CHAIRMAN
OF THE SUCCESSOR AGENCY GOVERNING BOARD

Laura H. Welch, Clerk of the Board of Supervisors
of the County of San Bernardino

APPROVED AS TO LEGAL FORM:

Michelle D. Blakemore
Chief Assistant County Counsel

The undersigned authorized signatory hereby executes this Agreement on behalf of each of the following entities and funds:

County of San Bernardino General Fund
San Bernardino County Free Library
County Service Area
(SL-1) Flood Control District;
Flood Control Zone 1; and
Flood Control Administration 1 and 2

COUNTY OF SAN BERNARDINO, a subdivision
of the State of California

By: _____
James Ramos, Chairman,
Board of Supervisors

Dated: _____

SIGNED AND CERTIFIED THAT A
COPY OF THIS DOCUMENT HAS
BEEN DELIVERED TO THE CHAIRMAN
OF THE BOARD

Laura H. Welch,
Clerk of the Board of Supervisors of the
County of San Bernardino

By: _____
Deputy

APPROVED AS TO LEGAL FORM:

Michelle D. Blakemore
Chief Assistant County Counsel

The undersigned authorized signatory hereby executes this Agreement on behalf of each of the following entities and funds:

San Bernardino County Superintended of Schools County
Superintendent _____ Fund (BS01-GA01);
County Superintendent _____ Fund (BS01-GA02);
County Superintendent _____ Fund (BS01-GA03); and
County Superintendent _____ Fund (BS01-GA04).

**SAN BERNARRDINO COUNTY
SUPERINTENDENT OF SCHOOLS**

By: _____

Name: _____

Its: _____

Dated: _____

APPROVED AS TO LEGAL FORM:

The undersigned authorized signatory hereby executes this Agreement.

FONTANA FIRE PROTECTION DISTRICT

By: _____

Name: _____

Its: _____

Dated: _____

APPROVED AS TO LEGAL FORM:

The undersigned authorized signatory hereby executes this Agreement.

CHAFFEY JOINT UNIOIN HIGH SCHOOL
DISTRICT

By: _____

Name: _____

Its: _____

Dated: _____

APPROVED AS TO LEGAL FORM:

The undersigned authorized signatory hereby executes this Agreement.

ETIWANDA ELEMENTARY
SCHOOL DISTRICT

By: _____

Name: _____

Its: _____

Dated: _____

APPROVED AS TO LEGAL FORM:

The undersigned authorized signatory hereby executes this Agreement.

CUCAMONGA ELEMENTARY SCHOOL DISTRICT

By: _____

Name: _____

Its: _____

Dated: _____

APPROVED AS TO LEGAL FORM:

The undersigned authorized signatory hereby executes this Agreement.

CITY OF FONTANA

By: _____

Name: _____

Its: _____

Dated: _____

APPROVED AS TO LEGAL FORM:

The undersigned authorized signatory hereby executes this Agreement.

FONTANA UNIFIED SCHOOL DISTRICT

By: _____

Name: _____

Its: _____

Dated: _____

APPROVED AS TO LEGAL FORM:

The undersigned authorized signatory hereby executes this Agreement.

CHAFFEY COMMUNITY COLLEGE DISTRICT

By: _____

Name: _____

Its: _____

Dated: _____

APPROVED AS TO LEGAL FORM:

The undersigned authorized signatory hereby executes this Agreement.

INLAND EMPIRE RESOURCE
CONSERVATION DISTRICT

By: _____

Name: _____

Its: _____

Dated: _____

APPROVED AS TO LEGAL FORM:

The undersigned authorized signatory hereby executes this Agreement on behalf of each of the following entities and funds:

Inland Empire Utilities Agency
Utilities Agency Fund _____ (WU08-GA01); and
Utilities Agency Fund _____ (WU08-GA05).

INLAND EMPIRE UTILITIES AGENCY

By: _____

Name: _____

Its: _____

Dated: _____

APPROVED AS TO LEGAL FORM:

EXHIBIT A

LEGAL DESCRIPTION

Real property in the City of Fontana, County of San Bernardino, State of California, described as follows:

PARCEL 1:

THE WEST 65 FEET OF THE SOUTH 185 FEET OF THE WEST HALF OF THE EAST 10 ACRES OF LOT 885, SEMI-TROPIC LAND AND WATER COMPANY, AS SHOWN BY MAP ON FILE IN BOOK 11 PAGE(S) 12, OF MAPS, RECORDS OF SAN BERNARDINO COUNTY, CALIFORNIA.

THE AREAS AND DISTANCES OF THE ABOVEDESCRIBED PROPERTY ARE COMPUTED TO STREET CENTERS.

APN: 0231-021-25

PARCEL 2:

THE NORTH HALF OF THE FOLLOWING DESCRIBED PROPERTY:

THE WEST HALF OF THE WEST OF THE EAST 10 ACRES OF FARM LOT 885;

EXCEPTING THEREFROM THE SOUTH 335 FEET, ACCORDING TO MAP SHOWING SUBDIVISION OF LANDS BELONGING TO THE SEMI-TROPIC LAND AND WATER COMPANY, AS SHOWN BY MAP ON FILE IN BOOK 11 PAGE(S) 12, OF MAPS, RECORDS OF SAN BERNARDINO COUNTY, CALIFORNIA;

EXCEPTING THEREFROM THE EAST 35 FEET.

AREAS AND DISTANCES COMPUTED TO STREET CENTERS AS SHOWN ON SAID MAP.

APN: 0231-021-54

PARCEL 3:

THE SOUTH HALF OF THE FOLLOWING DESCRIBED PROPERTY:

THE WEST HALF OF THE WEST HALF OF THE EAST 10 ACRES OF FARM LOT 885;

EXCEPTING THEREFROM THE SOUTH 335 FEET, ACCORDING TO MAP SHOWING SUBDIVISION OF LANDS BELONGING TO THE SEMI-TROPIC LAND AND WATER COMPANY, AS SHOWN BY MAP ON FILE IN BOOK 11 PAGE(S) 12, OF MAPS, RECORDS OF SAN BERNARDINO COUNTY, CALIFORNIA;

EXCEPTING THEREFROM THE EAST 35 FEET.

AREAS AND DISTANCES COMPUTED TO STREET CENTERS AS SHOWN ON SAID MAP.

APN: 0231-021-55

PARCEL 3A:

A RIGHT(S) OF WAY AND EASEMENT FOR ROAD PURPOSES OVER AND ACROSS THE EAST 35

FEET OF THE WEST HALF OF THE WEST HALF OF THE EAST 10 ACRES OF FARM LOT 885, ACCORDING TO MAP SHOWING SUBDIVISION OF LANDS BELONGING TO THE SEMI-TROPIC LAND AND WATER COMPANY, AS SHOWN BY MAP ON FILE IN BOOK 11 PAGE(S) 12, OF MAPS, RECORDS OF SAN BERNARDINO COUNTY, CALIFORNIA.

AREAS AND DISTANCES COMPUTED TO STREET CENTERS AS SHOWN ON SAID MAP.

PARCEL 4:

THE SOUTH 335 FEET OF THE WEST HALF OF THE WEST HALF OF THE EAST 10 ACRES OF FARM LOT 885, ACCORDING TO MAP SHOWING SUBDIVISION OF LANDS BELONGING TO THE SEMI-TROPIC LAND AND WATER COMPANY, AS SHOWN BY MAP ON FILE IN BOOK 11 PAGE(S) 12, OF MAPS, RECORDS OF SAN BERNARDINO COUNTY, CALIFORNIA;

EXCEPTING THEREFROM THE SOUTH 185 FEET;

ALSO EXCEPTING THEREFROM THE EAST 35 FEET.

AREAS AND DISTANCES OF THE HEREINDESCRIBED PROPERTY ARE COMPUTED TO STREET CENTERS.

APN: 0231-021-32

PARCEL 5:

PORTION OF FARM LOT 885, ACCORDING TO MAP SHOWING SUBDIVISION OF LANDS BELONGING TO THE SEMI-TROPIC LAND AND WATER COMPANY, AS SHOWN BY MAP ON FILE IN BOOK 11 PAGE(S) 12, OF MAPS, RECORDS OF SAN BERNARDINO COUNTY, CALIFORNIA, DESCRIBED AS FOLLOWS:

BEGINNING 65 FEET EAST OF THE SOUTHWEST CORNER OF THE WEST HALF OF THE EAST HALF OF SAID LOT 885;
THENCE NORTH 185 FEET; THENCE EAST 65 FEET; THENCE SOUTH 185 FEET; THENCE WEST 65 FEET TO THE POINT OF BEGINNING;

EXCEPT ANY PORTION LYING WITHIN SOUTH 185 FEET OF THE WEST 65 FEET OF THE EAST 10 ACRES OF SAID LOT 885.

AREAS AND DISTANCES COMPUTED TO STREET CENTERS AS SHOWN ON SAID MAP.

APN: 0231-01-24

PARCEL 6:

THE SOUTH HALF OF THE WESTERLY PORTION OF FARM LOT 885, AND THE WESTERLY PRORATION BEING DESCRIBED AS ALL OF SAID FARM LOT 885,

EXCEPT THE EAST 10 ACRES THEREOF, ACCORDING TO MAP SHOWING SUBDIVISION OF LANDS BELONGING TO THE SEMI-TROPIC LAND AND WATER COMPANY, COUNTY OF SAN BERNARDINO, STATE OF CALIFORNIA, AS PER PLAT RECORDED IN BOOK 11 OF MAPS, PAGE 12, RECORDS OF SAID COUNTY.

EXCEPTING THEREFROM THE WEST 317.50 FEET.

ALSO SAVING AND EXCEPTING THEREFROM THE EAST 160 FEET OF THE SOUTH 150 FEET

THEREOF.

AREAS AND DISTANCES OF THE ABOVE DESCRIBED PROPERTY ARE COMPUTED TO THE CENTER LINE OF ALL ADJOINING STREETS AND ROADS, AS SHOWN ON SAID PLAT.

APN: 0231-021-48

PARCEL 7:

PARCEL 7A:

THE EAST HALF OF THE WEST HALF OF THE EAST 10 ACRES OF FARM LOT 885, ACCORDING TO MAP SHOWING SUBDIVISION OF LAND BELONGING TO THE SEMI-TROPIC LAND AND WATER COMPANY, AS SHOWN BY MAP ON FILE IN BOOK 11 PAGE(S) 12, OF MAPS, RECORDS OF SAN BERNARDINO COUNTY, CALIFORNIA;

EXCEPTING THEREFROM THE SOUTH 210 FEET OF THE EAST 100 FEET THEREOF.

PARCEL 7B:

THE EAST 35 FEET OF THE WEST HALF OF THE WEST HALF OF THE EAST 10 ACRES OF LOT 885, ACCORDING TO MAP SHOWING SUBDIVISION OF LAND BELONGING TO THE SEMI-TROPIC LAND AND WATER COMPANY, AS SHOWN BY MAP ON FILE IN BOOK 11 PAGE(S) 12, OF MAPS, RECORDS OF SAN BERNARDINO COUNTY, CALIFORNIA.

PARCEL 7C:

THE SOUTH 210 FEET OF THE EAST 100 FEET OF THE WEST HALF OF THE EAST 10 ACRES OF FARM LOT 885, ACCORDING TO MAP SHOWING SUBDIVISION OF LAND BELONGING TO THE SEMI-TROPIC LAND AND WATER COMPANY, AS SHOWN BY MAP ON FILE IN BOOK 11 PAGE(S) 12, OF MAPS, RECORDS OF SAN BERNARDINO COUNTY, CALIFORNIA.

AREAS AND DISTANCES ARE COMPUTED TO THE CENTER LINES OF ADJOINING STREETS.

APN: 0231-021-57

PARCEL 5:

PARCEL 5A:

ALL THAT PORTION OF LOT 885, ACCORDING TO MAP SHOWING SUBDIVISION OF LANDS BELONGING TO THE SEMI-TROPIC LAND AND WATER COMPANY, IN THE COUNTY OF SAN BERNARDINO, STATE OF CALIFORNIA, AS PER PLAT RECORDED IN BOOK 11 OF MAPS, PAGE 12, RECORDS OF SAID COUNTY, DESCRIBED AS FOLLOWS:

COMMENCING IN THE CENTER OF RANDALL AVENUE AT THE SOUTHWEST CORNER OF THE EAST 10 ACRES OF SAID LOT 885, COMPUTED TO THE CENTER OF ADJOINING STREETS; THENCE NORTH ALONG THE WEST LINE OF SAID EAST 10 ACRES, 150 FEET; THENCE WEST 75 FEET; THENCE SOUTH 150 FEET TO THE CENTER LINE OF RANDALL AVENUE; THENCE EAST 75 FEET TO THE POINT OF BEGINNING.

AREAS AND DISTANCES COMPUTED TO STREET CENTERS.

PARCEL 8B:

THE WEST 85 FEET OF THE EAST 160 FEET OF THE SOUTH 150 FEET OF THAT PORTION OF LOT 885, ACCORDING TO MAP SHOWING SUBDIVISION OF LANDS BELONGING TO THE SEMI-TROPIC LAND AND WATER COMPANY LYING WESTERLY OF THE EAST 10 ACRES OF SAID LOT, AS PER PLAT RECORDED IN BOOK 11 OF MAPS, PAGE 12, RECORDS OF SAID COUNTY.

AREAS AND DISTANCES COMPUTED TO STREET CENTERS.

APN: 0231-021-76

PARCEL 9:

ALL THAT PORTION OF FARM LOT 885, ACCORDING TO MAP OF LANDS BELONGING TO SEMI-TROPIC LAND AND WATER COMPANY IN THE COUNTY OF SAN BERNARDINO, STATE OF CALIFORNIA, AS PER PLAT RECORDED IN BOOK 11, PAGE(S) 12 OF MAPS, RECORDS OF SAID COUNTY.

COMMENCING AT THE SOUTHWEST CORNER OF SAID LOT 885, SAID POINT ALSO BEING THE CENTERLINE OF CHERRY AVENUE AND RANDALL AVENUE; THENCE NORTH 89° 44' 47" EAST, 317.51 FEET ALONG THE SOUTH LINE OF SAID LOT 885, ALSO BEING THE CENTERLINE OF RANDALL AVENUE, TO THE EAST LINE OF THE WEST 317.50 FEET; THENCE NORTH 00° 09' 18" EAST, 332.12 FEET ALONG THE EAST LINE OF SAID WEST 317.50 FEET TO A POINT ON THE SOUTH LINE OF THE NORTH HALF OF SAID LOT 885; THENCE NORTH 89° 45' 10" EAST 130.65 FEET ALONG THE SOUTH LINE OF SAID NORTH HALF BEING THE POINT OF BEGINNING; THENCE NORTH 00° 09' 18" EAST, 166.79 FEET; THENCE NORTH 89° 50' 42" WEST, 72.15 FEET; THENCE NORTH 00° 09' 18" EAST, 129.67 FEET; THENCE SOUTH 89° 50' 42" EAST, 90.30 FEET; THENCE NORTH 00° 09' 18" EAST, 35.73 FEET TO NORTH LINE OF SAID LOT 885; THENCE NORTH 89° 45' 32" EAST, 241.13 FEET ALONG THE NORTH LINE OF SAID LOT 885 TO THE WEST LINE OF THE EAST 10 ACRES OF SAID LOT 885; THENCE SOUTH 00° 09' 08" WEST, 332.07 FEET ALONG THE WEST LINE OF SAID EAST 10 ACRES TO THE SOUTH LINE OF THE NORTH HALF OF SAID LOT 885; THENCE SOUTH 89° 45' 10" WEST, 259.29 FEET ALONG THE SOUTH LINE OF THE NORTH HALF OF SAID LOT 885 TO THE POINT OF BEGINNING.

SAID LAND IS ALSO SHOWN AS PARCEL B OF CERTIFICATE OF COMPLIANCE NO. WVL369-07 RECORDED AUGUST 02, 2007, AS INSTRUMENT NO. 2007-0452768, OF OFFICIAL RECORDS.

APN: 0231-021-82

PARCEL 10:

PARCEL 10A:

ALL THAT PORTION OF FARM LOT 885, ACCORDING TO MAP OF LANDS BELONGING TO SEMI-TROPIC LAND AND WATER COMPANY, IN THE COUNTY OF SAN BERNARDINO, STATE OF CALIFORNIA, AS PER PLAT RECORDED IN BOOK 11, PAGE 12 OF MAPS, RECORDS OF SAID COUNTY.

COMMENCING AT THE SOUTHWEST CORNER OF SAID LOT 885, SAID POINT ALSO BEING THE CENTERLINE OF CHERRY AVENUE AND RANDALL AVENUE; THENCE NORTH 89° 44' 47" EAST 317.51 FEET ALONG THE SOUTH LINE OF SAID LOT 885, ALSO BEING THE CENTERLINE OF RANDALL AVENUE TO THE EAST LINE OF THE WEST 317.50 FEET BEING THE POINT OF BEGINNING; THENCE NORTH 00° 09' 18" EAST 332.12 FEET ALONG THE EAST LINE OF SAID WEST 317.50 FEET TO A POINT ON THE SOUTH LINE OF THE NORTH HALF OF SAID LOT 885; THENCE NORTH 89° 45' 10" EAST 130.65 FEET ALONG THE SOUTH LINE OF SAID NORTH HALF; THENCE NORTH 00° 09' 18" EAST 166.79 FEET; THENCE NORTH 89° 50' 42" WEST 72.15 FEET; THENCE NORTH 00° 09' 18" EAST 129.67 FEET; THENCE SOUTH 89° 50' 42" EAST 90.30 FEET;

THENCE NORTH 00° 09' 18" EAST 35.73 FEET TO THE NORTH LINE OF SAID LOT 885; THENCE SOUTH 89° 45' 32" WEST 466.31 FEET TO THE WEST LINE OF SAID LOT 885, ALSO BEING THE CENTERLINE OF CHERRY AVENUE; THENCE SOUTH 00° 09' 18" WEST 415.85 FEET ALONG THE WEST LINE OF SAID LOT 885, ALSO BEING THE CENTERLINE OF CHERRY AVENUE; THENCE SOUTH 89° 50' 42" EAST 213.29 FEET; THENCE SOUTH 00° 19' 18" WEST 246.96 FEET TO THE SOUTH LINE OF SAID LOT 885, ALSO BEING THE CENTERLINE OF RANDAL AVENUE; THENCE NORTH 89° 44' 47" EAST 104.21 FEET ALONG THE SOUTH LINE OF SAID LOT 885, ALSO BEING THE CENTERLINE OF SAID RANDALL AVENUE TO THE POINT OF BEGINNING.

NOTE: THE ABOVE PARCEL IS MADE PURSUANT TO THAT CERTIFICATE OF COMPLIANCE WVL368-07 RECORDED AUGUST 02, 2007 AS INSTRUMENT NO. 2007-0452767 OF OFFICIAL RECORDS.

APN: 0231-021-84

PARCEL 10B:

ALL THAT PORTION OF FARM LOT 885, ACCORDING TO MAP OF LANDS BELONGING TO SEMI-TROPIC LAND AND WATER COMPANY, IN THE COUNTY OF SAN BERNARDINO, STATE OF CALIFORNIA, AS PER PLAT RECORDED IN BOOK 11, PAGE 12 OF MAPS, RECORDS OF SAID COUNTY.

BEGINNING AT THE SOUTHWEST CORNER OF SAID LOT 885, SAID POINT ALSO BEING THE CENTERLINE OF CHERRY AVENUE AND RANDALL AVENUE; THENCE NORTH 00° 19' 18" EAST 248.45 FEET ALONG THE WEST LINE OF SAID LOT 885, ALSO BEING THE CENTERLINE OF CHERRY AVENUE TO A POINT SOUTH 00° 09' 18" WEST 415.85 FEET FROM THE NORTHWEST CORNER OF SAID LOT 885; THENCE SOUTH 89° 50' 42" EAST 213.29 FEET; THENCE SOUTH 00° 09' 18" WEST 246.93 FEET TO THE SOUTH LINE OF SAID LOT 885, ALSO BEING THE CENTERLINE OF RANDALL AVENUE; THENCE SOUTH 89° 44' 47" WEST 213.30 FEET ALONG THE SOUTH LINE OF LOT 885, ALSO BEING THE CENTERLINE OF RANDALL AVENUE TO THE POINT OF BEGINNING.

APN: 0231-021-83

EXHIBIT B
LIST OF ADDRESSES FOR NOTICE PURPOSES

<p>County of San Bernardino Successor Agency 385 North Arrowhead Avenue, 5th Floor, #0120 San Bernardino, CA 92415-0120 Attn: Greg Devereaux, Chief Executive Officer</p>	<p>County of San Bernardino 222 West Hospitality Lane, 2nd Floor, #0018 San Bernardino, CA 92415-0018 Attn: Linda Santillano, Property Tax Manager</p>
<p>San Bernardino County Flood Control District 385 N. Arrowhead Ave., 5th Floor San Bernardino, CA 92415 Attn: Greg Devereaux, Chief Executive Officer</p>	<p>San Bernardino County Free Library District 385 N. Arrowhead Ave., 5th Floor San Bernardino, CA 92415 Attn: Greg Devereaux, Chief Executive Officer</p>
<p>San Bernardino County Superintendent of Schools 601 N. E Street San Bernardino, CA 92415-0020 Attn: Ted Alejandre, Superintendent</p>	<p>Fontana Fire Protection District 8353 Sierra Avenue Fontana, CA 92335-3528 Attn: Ken Hunt, City Manager</p>
<p>Chaffey Community College District 5885 Haven Avenue Rancho Cucamonga, CA 91737 Attn: Kim Erickson, Executive Director</p>	<p>Fontana Unified School District 9680 Citrus Avenue Fontana, CA 92335 Attn: Leslie Boozer, Superintendent</p>
<p>County Service Area (SL-1) c/o Special Districts Department 157 West Fifth Street, 2nd Floor, #0450 San Bernardino, CA 92415 Attn: Jeffrey O. Rigney, Director</p>	<p>Inland Empire Resource Conservation District 25864-K Business Center Drive Redlands, CA 92374 Attn: Mandy Parkes, District Manager</p>
<p>Inland Empire Utilities Agency 6075 Kimball Avenue Chino Hills, CA 91709 Attn: Christina Valencia, Chief Financial Officer</p>	<p>City of Fontana 8353 Sierra Avenue Fontana, CA 92335-3528 Attn: Ken Hunt, City Manager</p>
<p>Cucamonga Elementary School District 8776 Archibald Avenue Rancho Cucamonga, CA 91730</p>	<p>Etiwanda School District 6061 East Avenue Etiwanda, CA 91739</p>
<p>Chaffey Joint Union High School 211 West Fifth Street, Ontario, CA 91762</p>	

EXHIBIT C

ILLUSTRATIVE TAXING ENTITIES
APPLICABLE SHARES OF PROPERTY
TAXES

The attached is for administrative and illustrative purposes only, the Applicable Shares of the Taxing Entities will be determined by the County Auditor-Controller. Below are the Applicable Shares of the Taxing Entities that would have applied to a distribution under Section 6 of the Compensation Agreement, had such distribution been made on January 1, 2016.

<u>TAXING ENTITY/FUND</u>	<u>PROPERTY TAX SHARE</u>
County of San Bernardino - General Fund	16.89%
ERAF	21.73%
San Bernardino County Flood Control	2.70%
San Bernardino County Free Library	1.39%
San Bernardino County Superintendent of Schools	0.91%
City of Fontana	0.05%
Fontana Fire Protection District	18.12%
Cucamonga Elementary School District	4.24%
Etiwanda Elementary School District	2.44%
Chaffey Joint Union High School District	5.76%
Chaffey Community College	4.15%
Fontana Unified School District	16.52%
County Service Area (SL-1)	0.40%
Inland Empire Joint Resource Conservation District	0.19%
Inland Empire Utilities Agency	4.51%
TOTAL	100%

EXHIBIT D

NOTICE OF COMPENSATION AGREEMENT

RECORDING REQUESTED BY AND WHEN RECORDED MAIL TO:

County of San Bernardino
Department of Community Development and Housing
385 North Arrowhead Ave Third Floor
San Bernardino, CA 92415-0043
Attn: Community Development and Housing Director

NO FEE FOR RECORDING PURSUANT TO
GOVERNMENT CODE SECTIONS 6103 AND 27383

(SPACE ABOVE THIS LINE FOR RECORDER'S USE)

**NOTICE OF COMPENSATION AGREEMENT
RELATED TO REAL PROPERTY**

(Cherry and Randall Site/14544-14636 Randall Ave. and 9235-9295 Cherry Ave.)

NOTICE IS HEREBY GIVEN, that the San Bernardino County Successor Agency (the "Successor Agency"), the County of San Bernardino (the "County"), the San Bernardino County Flood Control District, the San Bernardino County Free Library, the San Bernardino County Superintendent of Schools, City of Fontana, the Fontana Fire Protection District, the Chaffey Joint Union High School District, the Etiwanda School District, the Cucamonga Elementary School District, the Chaffey Community College District, Fontana Unified School District, County Service Area (SL-1), Inland Empire Resource Conservation District, and the Inland Empire Utilities Agency (collectively, along with the County, the "Taxing Entities") entered into that certain Compensation Agreement, dated June 14, 2016 (the "Compensation Agreement"), with reference to that certain real property located in the County of San Bernardino located at 14544-14636 Randall Avenue and 9235-9295 Cherry Avenue, and further described in Exhibit A incorporated herein by reference (the "Property").

The Successor Agency is the successor in interest to the dissolved San Bernardino County Redevelopment Agency (the "Former RDA"). Upon the Former RDA's dissolution title to the Property transferred to the Successor Agency. As authorized under the "Redevelopment Dissolution Statutes (Part 1.8 and 1.85 of Division 24 of the Health and Safety Code), the Successor Agency has prepared, and the California Department of Finance has approved, a Long Range Property Management Plan ("LRPMP").

Under the approved LRPMP, the Successor Agency is authorized to transfer the Property to the County, subject to the terms of the Compensation Agreement. Substantially concurrently herewith, in conformance with the terms of the LRPMP, the Successor Agency is transferring

title to the Property to the County (in its capacity as owner of the Property, the County shall be referred to as the "Owner"). As designated in the LRPMP, the County will retain the Property for [a governmental purpose as allowed under Health and Safety Code Section 34181 OR to future development for a project in approved redevelopment plan as allowed under Health and Safety Code Section 34191.5(c)(2)].

Among other requirements, the LRPMP requires the County to execute the Compensation Agreement with the Taxing Entities providing for a contingent payment of Disposition Proceeds (as defined in the Compensation Agreement) upon the Owner's subsequent disposition of the Property, under specified conditions.

The Compensation Agreement includes certain obligations related to the Property, including without limitation and as further described in the Compensation Agreement:

1. A requirement for the Owner to provide the Taxing Entities with notice of the DDA Public Hearing Notice pursuant to Section 5(a) or the Notice of FMV Payment pursuant to Section 5(b), which notices shall include the information required under the Compensation Agreement.

2. A requirement that the Owner provide the Taxing Entities and the County Auditor-Controller a Disposition Proceeds Statement including the information required under Section 6 of the Compensation Agreement.

3. A requirement for the Owner remit the Disposition Proceeds to the County-Auditor Controller for distribution to the Taxing Entities in proportion to their Applicable Shares base property tax as determined by the County's Auditor-Controller pursuant to Health and Safety Code Section 34188 and the Compensation Agreement.

A complete copy of the Compensation Agreement is maintained in the Office of the Clerk of the Board of Supervisors, and is available to review at 385 N. Arrowhead Avenue, Second Floor, San Bernardino, CA between 9 a.m. and 5 p.m.

In the event of any conflict between this Notice of Compensation Agreement Related to Property (the "Notice") and the Compensation Agreement, the terms of the Compensation Agreement shall prevail.

This Notice may only be amended or terminated with the written agreement of the Owner and the County.

Upon the earlier of satisfaction of the requirements of the Compensation Agreement as outlined in Section 6(c) of the Compensation Agreement, or earlier termination of the Compensation Agreement pursuant to Section 7 of the Compensation Agreement, the County shall release this Notice (the "Release"), by the execution and recordation of a release in substantially the form attached hereto as Exhibit B, incorporated herein by reference.

This Notice is being recorded and filed by the Owner of the Property, and shall be indexed against the Owner's interest in the Property and the County.

[Remainder of Page Left Intentionally Blank.]

IN WITNESS WHEREOF, the Owner and the County have entered into this Notice as of the first date written above.

COUNTY:

**COUNTY OF SAN BERNARDINO, a political
subdivision of the State of California**

By: _____
Gregory C. Devereaux
Chief Executive Officer

Date: _____

APPROVED AS TO LEGAL FORM:

JEAN-RENE BASLE, County Counsel

By: _____
Michelle Blakemore
Chief Assistant County Counsel

Date: _____

COUNTY:

**COUNTY OF SAN BERNARDINO, a political subdivision
of the State of California**

By: _____

APPROVED AS TO LEGAL FORM:

By: _____

Date: _____

[ALL SIGNATURES MUST BE NOTARIZED]

A notary public or other officer completing this certificate verifies only the identity of the individual who signed the document to which this certificate is attached, and not the truthfulness, accuracy, or validity of that document.

STATE OF CALIFORNIA)
)
COUNTY OF _____)

On _____, before me, _____, Notary Public, personally appeared _____, who proved to me on the basis of satisfactory evidence to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

I certify UNDER PENALTY OF PERJURY under the laws of the State of California that the foregoing paragraph is true and correct.

WITNESS my hand and official seal.

Name: _____
Notary Public

EXHIBIT A

LEGAL DESCRIPTION

The land is situated in the State of California, County of San Bernardino, and is described as follows:

LEGAL DESCRIPTION

Real property in the City of Fontana, County of San Bernardino, State of California, described as follows:

PARCEL 1:

THE WEST 65 FEET OF THE SOUTH 185 FEET OF THE WEST HALF OF THE EAST 10 ACRES OF LOT 885, SEMI-TROPIC LAND AND WATER COMPANY, AS SHOWN BY MAP ON FILE IN BOOK 11 PAGE(S) 12, OF MAPS, RECORDS OF SAN BERNARDINO COUNTY, CALIFORNIA.

THE AREAS AND DISTANCES OF THE ABOVEDESCRIBED PROPERTY ARE COMPUTED TO STREET CENTERS.

APN: 0231-021-25

PARCEL 2:

THE NORTH HALF OF THE FOLLOWING DESCRIBED PROPERTY:

THE WEST HALF OF THE WEST OF THE EAST 10 ACRES OF FARM LOT 885;

EXCEPTING THEREFROM THE SOUTH 335 FEET, ACCORDING TO MAP SHOWING SUBDIVISION OF LANDS BELONGING TO THE SEMI-TROPIC LAND AND WATER COMPANY, AS SHOWN BY MAP ON FILE IN BOOK 11 PAGE(S) 12, OF MAPS, RECORDS OF SAN BERNARDINO COUNTY, CALIFORNIA;

EXCEPTING THEREFROM THE EAST 35 FEET.

AREAS AND DISTANCES COMPUTED TO STREET CENTERS AS SHOWN ON SAID MAP.

APN: 0231-021-54

PARCEL 3:

THE SOUTH HALF OF THE FOLLOWING DESCRIBED PROPERTY:

THE WEST HALF OF THE WEST HALF OF THE EAST 10 ACRES OF FARM LOT 885;

EXCEPTING THEREFROM THE SOUTH 335 FEET, ACCORDING TO MAP SHOWING SUBDIVISION OF LANDS BELONGING TO THE SEMI-TROPIC LAND AND WATER COMPANY, AS SHOWN BY MAP ON FILE IN BOOK 11 PAGE(S) 12, OF MAPS, RECORDS OF SAN BERNARDINO COUNTY, CALIFORNIA;

EXCEPTING THEREFROM THE EAST 35 FEET.

AREAS AND DISTANCES COMPUTED TO STREET CENTERS AS SHOWN ON SAID MAP.

APN: 0231-021-55

PARCEL 3A:

A RIGHT(S) OF WAY AND EASEMENT FOR ROAD PURPOSES OVER AND ACROSS THE EAST 35

FEET OF THE WEST HALF OF THE WEST HALF OF THE EAST 10 ACRES OF FARM LOT 885, ACCORDING TO MAP SHOWING SUBDIVISION OF LANDS BELONGING TO THE SEMI-TROPIC LAND AND WATER COMPANY, AS SHOWN BY MAP ON FILE IN BOOK 11 PAGE(S) 12, OF MAPS, RECORDS OF SAN BERNARDINO COUNTY, CALIFORNIA.

AREAS AND DISTANCES COMPUTED TO STREET CENTERS AS SHOWN ON SAID MAP.

PARCEL 4:

THE SOUTH 335 FEET OF THE WEST HALF OF THE WEST HALF OF THE EAST 10 ACRES OF FARM LOT 885, ACCORDING TO MAP SHOWING SUBDIVISION OF LANDS BELONGING TO THE SEMI-TROPIC LAND AND WATER COMPANY, AS SHOWN BY MAP ON FILE IN BOOK 11 PAGE(S) 12, OF MAPS, RECORDS OF SAN BERNARDINO COUNTY, CALIFORNIA;

EXCEPTING THEREFROM THE SOUTH 185 FEET;

ALSO EXCEPTING THEREFROM THE EAST 35 FEET.

AREAS AND DISTANCES OF THE HEREINDESCRIBED PROPERTY ARE COMPUTED TO STREET CENTERS.

APN: 0231-021-32

PARCEL 5:

PORTION OF FARM LOT 885, ACCORDING TO MAP SHOWING SUBDIVISION OF LANDS BELONGING TO THE SEMI-TROPIC LAND AND WATER COMPANY, AS SHOWN BY MAP ON FILE IN BOOK 11 PAGE(S) 12, OF MAPS, RECORDS OF SAN BERNARDINO COUNTY, CALIFORNIA, DESCRIBED AS FOLLOWS:

BEGINNING 65 FEET EAST OF THE SOUTHWEST CORNER OF THE WEST HALF OF THE EAST HALF OF SAID LOT 885;
THENCE NORTH 185 FEET; THENCE EAST 65 FEET; THENCE SOUTH 185 FEET; THENCE WEST 65 FEET TO THE POINT OF BEGINNING;

EXCEPT ANY PORTION LYING WITHIN SOUTH 185 FEET OF THE WEST 65 FEET OF THE EAST 10 ACRES OF SAID LOT 885.

AREAS AND DISTANCES COMPUTED TO STREET CENTERS AS SHOWN ON SAID MAP.

APN: 0231-01-24

PARCEL 6:

THE SOUTH HALF OF THE WESTERLY PORTION OF FARM LOT 885, AND THE WESTERLY PRORATION BEING DESCRIBED AS ALL OF SAID FARM LOT 885,

EXCEPT THE EAST 10 ACRES THEREOF, ACCORDING TO MAP SHOWING SUBDIVISION OF LANDS BELONGING TO THE SEMI-TROPIC LAND AND WATER COMPANY, COUNTY OF SAN BERNARDINO, STATE OF CALIFORNIA, AS PER PLAT RECORDED IN BOOK 11 OF MAPS, PAGE 12, RECORDS OF SAID COUNTY.

EXCEPTING THEREFROM THE WEST 317.50 FEET.

ALSO SAVING AND EXCEPTING THEREFROM THE EAST 160 FEET OF THE SOUTH 150 FEET

THEREOF.

AREAS AND DISTANCES OF THE ABOVE DESCRIBED PROPERTY ARE COMPUTED TO THE CENTER LINE OF ALL ADJOINING STREETS AND ROADS, AS SHOWN ON SAID PLAT.

APN: 0231-021-49

PARCEL 7:

PARCEL 7A:

THE EAST HALF OF THE WEST HALF OF THE EAST 10 ACRES OF FARM LOT 885, ACCORDING TO MAP SHOWING SUBDIVISION OF LAND BELONGING TO THE SEMI-TROPIC LAND AND WATER COMPANY, AS SHOWN BY MAP ON FILE IN BOOK 11 PAGE(S) 12, OF MAPS, RECORDS OF SAN BERNARDINO COUNTY, CALIFORNIA;

EXCEPTING THEREFROM THE SOUTH 210 FEET OF THE EAST 100 FEET THEREOF.

PARCEL 7B:

THE EAST 35 FEET OF THE WEST HALF OF THE WEST HALF OF THE EAST 10 ACRES OF LOT 885, ACCORDING TO MAP SHOWING SUBDIVISION OF LAND BELONGING TO THE SEMI-TROPIC LAND AND WATER COMPANY, AS SHOWN BY MAP ON FILE IN BOOK 11 PAGE(S) 12, OF MAPS, RECORDS OF SAN BERNARDINO COUNTY, CALIFORNIA.

PARCEL 7C:

THE SOUTH 210 FEET OF THE EAST 100 FEET OF THE WEST HALF OF THE EAST 10 ACRES OF FARM LOT 885, ACCORDING TO MAP SHOWING SUBDIVISION OF LAND BELONGING TO THE SEMI-TROPIC LAND AND WATER COMPANY, AS SHOWN BY MAP ON FILE IN BOOK 11 PAGE(S) 12, OF MAPS, RECORDS OF SAN BERNARDINO COUNTY, CALIFORNIA.

AREAS AND DISTANCES ARE COMPUTED TO THE CENTER LINES OF ADJOINING STREETS.

APN: 0231-021-57

PARCEL 5:

PARCEL 5A:

ALL THAT PORTION OF LOT 885, ACCORDING TO MAP SHOWING SUBDIVISION OF LANDS BELONGING TO THE SEMI-TROPIC LAND AND WATER COMPANY, IN THE COUNTY OF SAN BERNARDINO, STATE OF CALIFORNIA, AS PER PLAT RECORDED IN BOOK 11 OF MAPS, PAGE 12, RECORDS OF SAID COUNTY, DESCRIBED AS FOLLOWS:

COMMENCING IN THE CENTER OF RANDALL AVENUE AT THE SOUTHWEST CORNER OF THE EAST 10 ACRES OF SAID LOT 885, COMPUTED TO THE CENTER OF ADJOINING STREETS; THENCE NORTH ALONG THE WEST LINE OF SAID EAST 10 ACRES, 150 FEET; THENCE WEST 75 FEET; THENCE SOUTH 150 FEET TO THE CENTER LINE OF RANDALL AVENUE; THENCE EAST 75 FEET TO THE POINT OF BEGINNING.

AREAS AND DISTANCES COMPUTED TO STREET CENTERS.

PARCEL 8B:

THE WEST 85 FEET OF THE EAST 160 FEET OF THE SOUTH 150 FEET OF THAT PORTION OF LOT 885, ACCORDING TO MAP SHOWING SUBDIVISION OF LANDS BELONGING TO THE SEMI-TROPIC LAND AND WATER COMPANY LYING WESTERLY OF THE EAST 10 ACRES OF SAID LOT, AS PER PLAT RECORDED IN BOOK 11 OF MAPS, PAGE 12, RECORDS OF SAID COUNTY.

AREAS AND DISTANCES COMPUTED TO STREET CENTERS.

APN: 0231-021-76

PARCEL 9:

ALL THAT PORTION OF FARM LOT 885, ACCORDING TO MAP OF LANDS BELONGING TO SEMI-TROPIC LAND AND WATER COMPANY IN THE COUNTY OF SAN BERNARDINO, STATE OF CALIFORNIA, AS PER PLAT RECORDED IN BOOK 11, PAGE(S) 12 OF MAPS, RECORDS OF SAID COUNTY.

COMMENCING AT THE SOUTHWEST CORNER OF SAID LOT 885, SAID POINT ALSO BEING THE CENTERLINE OF CHERRY AVENUE AND RANDALL AVENUE; THENCE NORTH 89° 44' 47" EAST, 317.51 FEET ALONG THE SOUTH LINE OF SAID LOT 885, ALSO BEING THE CENTERLINE OF RANDALL AVENUE, TO THE EAST LINE OF THE WEST 317.50 FEET; THENCE NORTH 00° 09' 18" EAST, 332.12 FEET ALONG THE EAST LINE OF SAID WEST 317.50 FEET TO A POINT ON THE SOUTH LINE OF THE NORTH HALF OF SAID LOT 885; THENCE NORTH 89° 45' 10" EAST 130.65 FEET ALONG THE SOUTH LINE OF SAID NORTH HALF BEING THE POINT OF BEGINNING; THENCE NORTH 00° 09' 18" EAST, 166.79 FEET; THENCE NORTH 89° 50' 42" WEST, 72.15 FEET; THENCE NORTH 00° 09' 18" EAST, 129.67 FEET; THENCE SOUTH 89° 50' 42" EAST, 90.30 FEET; THENCE NORTH 00° 09' 18" EAST, 35.73 FEET TO NORTH LINE OF SAID LOT 885; THENCE NORTH 89° 45' 32" EAST, 241.13 FEET ALONG THE NORTH LINE OF SAID LOT 885 TO THE WEST LINE OF THE EAST 10 ACRES OF SAID LOT 885; THENCE SOUTH 00° 09' 08" WEST, 332.07 FEET ALONG THE WEST LINE OF SAID EAST 10 ACRES TO THE SOUTH LINE OF THE NORTH HALF OF SAID LOT 885; THENCE SOUTH 89° 45' 10" WEST, 259.29 FEET ALONG THE SOUTH LINE OF THE NORTH HALF OF SAID LOT 885 TO THE POINT OF BEGINNING.

SAID LAND IS ALSO SHOWN AS PARCEL B OF CERTIFICATE OF COMPLIANCE NO. WVL369-07 RECORDED AUGUST 02, 2007, AS INSTRUMENT NO. 2007-0452768, OF OFFICIAL RECORDS.

APN: 0231-021-82

PARCEL 10:

PARCEL 10A:

ALL THAT PORTION OF FARM LOT 885, ACCORDING TO MAP OF LANDS BELONGING TO SEMI-TROPIC LAND AND WATER COMPANY, IN THE COUNTY OF SAN BERNARDINO, STATE OF CALIFORNIA, AS PER PLAT RECORDED IN BOOK 11, PAGE 12 OF MAPS, RECORDS OF SAID COUNTY.

COMMENCING AT THE SOUTHWEST CORNER OF SAID LOT 885, SAID POINT ALSO BEING THE CENTERLINE OF CHERRY AVENUE AND RANDALL AVENUE; THENCE NORTH 89° 44' 47" EAST 317.51 FEET ALONG THE SOUTH LINE OF SAID LOT 885, ALSO BEING THE CENTERLINE OF RANDALL AVENUE TO THE EAST LINE OF THE WEST 317.50 FEET BEING THE POINT OF BEGINNING; THENCE NORTH 00° 09' 18" EAST 332.12 FEET ALONG THE EAST LINE OF SAID WEST 317.50 FEET TO A POINT ON THE SOUTH LINE OF THE NORTH HALF OF SAID LOT 885; THENCE NORTH 89° 45' 10" EAST 130.65 FEET ALONG THE SOUTH LINE OF SAID NORTH HALF; THENCE NORTH 00° 09' 18" EAST 166.79 FEET; THENCE NORTH 89° 50' 42" WEST 72.15 FEET; THENCE NORTH 00° 09' 18" EAST 129.67 FEET; THENCE SOUTH 89° 50' 42" EAST 90.30 FEET;

THENCE NORTH 00° 09' 18" EAST 35.73 FEET TO THE NORTH LINE OF SAID LOT 885; THENCE SOUTH 89° 45' 32" WEST 466.31 FEET TO THE WEST LINE OF SAID LOT 885, ALSO BEING THE CENTERLINE OF CHERRY AVENUE; THENCE SOUTH 00° 09' 18" WEST 415.85 FEET ALONG THE WEST LINE OF SAID LOT 885, ALSO BEING THE CENTERLINE OF CHERRY AVENUE; THENCE SOUTH 89° 50' 42" EAST 213.29 FEET; THENCE SOUTH 00° 19' 18" WEST 246.96 FEET TO THE SOUTH LINE OF SAID LOT 885, ALSO BEING THE CENTERLINE OF RANDALL AVENUE; THENCE NORTH 89° 44' 47" EAST 104.21 FEET ALONG THE SOUTH LINE OF SAID LOT 885, ALSO BEING THE CENTERLINE OF SAID RANDALL AVENUE TO THE POINT OF BEGINNING.

NOTE: THE ABOVE PARCEL IS MADE PURSUANT TO THAT CERTIFICATE OF COMPLIANCE WVL368-07 RECORDED AUGUST 02, 2007 AS INSTRUMENT NO. 2007-0452767 OF OFFICIAL RECORDS.

APN: 0231-021-84

PARCEL 10B:

ALL THAT PORTION OF FARM LOT 885, ACCORDING TO MAP OF LANDS BELONGING TO SEMI-TROPIC LAND AND WATER COMPANY, IN THE COUNTY OF SAN BERNARDINO, STATE OF CALIFORNIA, AS PER PLAT RECORDED IN BOOK 11, PAGE 12 OF MAPS, RECORDS OF SAID COUNTY.

BEGINNING AT THE SOUTHWEST CORNER OF SAID LOT 885, SAID POINT ALSO BEING THE CENTERLINE OF CHERRY AVENUE AND RANDALL AVENUE; THENCE NORTH 00° 19' 18" EAST 248.45 FEET ALONG THE WEST LINE OF SAID LOT 885, ALSO BEING THE CENTERLINE OF CHERRY AVENUE TO A POINT SOUTH 00° 09' 18" WEST 415.85 FEET FROM THE NORTHWEST CORNER OF SAID LOT 885; THENCE SOUTH 89° 50' 42" EAST 213.29 FEET; THENCE SOUTH 00° 09' 18" WEST 246.93 FEET TO THE SOUTH LINE OF SAID LOT 885, ALSO BEING THE CENTERLINE OF RANDALL AVENUE; THENCE SOUTH 89° 44' 47" WEST 213.30 FEET ALONG THE SOUTH LINE OF LOT 885, ALSO BEING THE CENTERLINE OF RANDALL AVENUE TO THE POINT OF BEGINNING.

APN: 0231-021-83

EXHIBIT B

FORM OF RELEASE AGREEMENT

RECORDING REQUESTED BY AND WHEN RECORDED MAIL TO:

County of San Bernardino
Department of Community Development and Housing
385 North Arrowhead Ave Third Floor
San Bernardino, CA 92415-0043
Attn: Community Development and Housing Director

NO FEE FOR RECORDING PURSUANT TO
GOVERNMENT CODE SECTIONS 6103 AND 27383

(SPACE ABOVE THIS LINE FOR RECORDER'S USE)

**RELEASE OF NOTICE OF COMPENSATION AGREEMENT
RELATED TO REAL PROPERTY**

(Cherry and Randall Site/14544-14636 Randall Ave. and 9235-9295 Cherry Ave.)

This Release of Notice of Compensation Agreement Related to Real Property is made as of [INSERT DATE] (the "Notice"), by the County of San Bernardino, in its capacity as a taxing entity (the "County") and in its capacity as the owner of that certain real located at 14544-14636 Randall Avenue and 9235-9295 Cherry Avenue, in the County of San Bernardino, and further described in Exhibit A incorporated herein by reference.

RECITALS

A. The San Bernardino County Successor Agency (the "Successor Agency"), the County of San Bernardino (the "County"), the San Bernardino County Flood Control District, the San Bernardino County Free Library, the San Bernardino County Superintendent of Schools, the Fontana Fire Protection District, the Chaffey Community College District, City of Fontana, Fontana Unified School District, the Chaffey Joint Union High School District, the Etiwanda School District, the Cucamonga Elementary School District, County Service Area (SL-1), Inland Empire Resource Conservation District, and the Inland Empire Utilities Agency (collectively, along with the County, the "Taxing Entities") entered into that certain Compensation Agreement, dated June 14, 2016 (the "Compensation Agreement"), with reference to the Real Property.

B. In connection with the Compensation Agreement, the Owner and the County executed the Notice, which was recorded against the Real Property in the Official Records of the County of San Bernardino as Instrument No. [INSERT RECORDING NUMBER] on [INSERT DATE].

C. The County has determined that the Owner has fulfilled its obligations under the Compensation Agreement and desires to release the Notice from the Owner's interest in the Real Property.

NOW, THEREFORE, in consideration of the foregoing recitals, which are incorporated herein by this reference, and the mutual benefits accruing to the parties hereto and other valuable consideration, the receipt and sufficiency of which consideration is hereby acknowledged, it is hereby declared, understood and agreed as follows:

The County hereby releases the Owner (and its successors) and the Real Property from any and all obligations owed to the County under the Notice.

In granting this Release, the County hereby expressly waives and relinquishes all rights and benefits afforded by California Civil Code Section 1542, as well as any similar law, statute, provision or policy in any other jurisdiction subsequently adopted in the State of California, and the County understands and acknowledges the significance of such specific waiver of California Civil Code Section 1542, which reads as follows:

"A GENERAL RELEASE DOES NOT EXTEND TO CLAIMS WHICH THE CREDITOR DOES NOT KNOW OR SUSPECT TO EXIST IN HIS OR HER FAVOR AT THE TIME OF EXECUTING THE RELEASE, WHICH IF KNOWN BY HIM OR HER, MUST HAVE MATERIALLY AFFECTED HIS OR HER SETTLEMENT WITH THE DEBTOR."

County Initials

This Agreement contains the entire agreement between the parties hereto and supersedes all prior agreements, oral or written, with respect to the subject matter hereof. This Agreement shall not be construed as if it had been prepared by one of the parties, but rather as if both parties had prepared it.

This Agreement shall be binding on and inure to the benefit of the legal representatives, heirs, successors and assigns of the parties.

This Agreement shall be governed by and construed in accordance with the laws of the State of California.

This Agreement may be signed by the different parties hereto in counterparts, each of which shall be deemed an original but all of which together shall constitute one and the same agreement.

[Signatures on following page]

IN WITNESS WHEREOF, the parties have executed this Release as of the day first above written.

COUNTY:

COUNTY OF SAN BERNARDINO, a political subdivision of the State of California

By: _____
Gregory C. Devereaux
Chief Executive Officer

Date: _____

APPROVED AS TO LEGAL FORM:

JEAN-RENE BASLE, County Counsel

By: _____
Michelle Blakemore
Chief Assistant County Counsel

Date: _____

[ALL SIGNATURES MUST BE NOTARIZED]

EXHIBIT A

LEGAL DESCRIPTION

The leased land is situated in the State of California, County of San Bernardino, and is described as follows:

LEGAL DESCRIPTION

Real property in the City of Fontana, County of San Bernardino, State of California, described as follows:

PARCEL 1:

THE WEST 65 FEET OF THE SOUTH 185 FEET OF THE WEST HALF OF THE EAST 10 ACRES OF LOT 885, SEMI-TROPIC LAND AND WATER COMPANY, AS SHOWN BY MAP ON FILE IN BOOK 11 PAGE(S) 12, OF MAPS, RECORDS OF SAN BERNARDINO COUNTY, CALIFORNIA.

THE AREAS AND DISTANCES OF THE ABOVEDESCRIBED PROPERTY ARE COMPUTED TO STREET CENTERS.

APN: 0231-021-25

PARCEL 2:

THE NORTH HALF OF THE FOLLOWING DESCRIBED PROPERTY:

THE WEST HALF OF THE WEST OF THE EAST 10 ACRES OF FARM LOT 885;

EXCEPTING THEREFROM THE SOUTH 335 FEET, ACCORDING TO MAP SHOWING SUBDIVISION OF LANDS BELONGING TO THE SEMI-TROPIC LAND AND WATER COMPANY, AS SHOWN BY MAP ON FILE IN BOOK 11 PAGE(S) 12, OF MAPS, RECORDS OF SAN BERNARDINO COUNTY, CALIFORNIA;

EXCEPTING THEREFROM THE EAST 35 FEET.

AREAS AND DISTANCES COMPUTED TO STREET CENTERS AS SHOWN ON SAID MAP.

APN: 0231-021-54

PARCEL 3:

THE SOUTH HALF OF THE FOLLOWING DESCRIBED PROPERTY:

THE WEST HALF OF THE WEST HALF OF THE EAST 10 ACRES OF FARM LOT 885;

EXCEPTING THEREFROM THE SOUTH 335 FEET, ACCORDING TO MAP SHOWING SUBDIVISION OF LANDS BELONGING TO THE SEMI-TROPIC LAND AND WATER COMPANY, AS SHOWN BY MAP ON FILE IN BOOK 11 PAGE(S) 12, OF MAPS, RECORDS OF SAN BERNARDINO COUNTY, CALIFORNIA;

EXCEPTING THEREFROM THE EAST 35 FEET.

AREAS AND DISTANCES COMPUTED TO STREET CENTERS AS SHOWN ON SAID MAP.

APN: 0231-021-55

PARCEL 3A:

A RIGHT(S) OF WAY AND EASEMENT FOR ROAD PURPOSES OVER AND ACROSS THE EAST 35

FEET OF THE WEST HALF OF THE WEST HALF OF THE EAST 10 ACRES OF FARM LOT 885, ACCORDING TO MAP SHOWING SUBDIVISION OF LANDS BELONGING TO THE SEMI-TROPIC LAND AND WATER COMPANY, AS SHOWN BY MAP ON FILE IN BOOK 11 PAGE(S) 12, OF MAPS, RECORDS OF SAN BERNARDINO COUNTY, CALIFORNIA.

AREAS AND DISTANCES COMPUTED TO STREET CENTERS AS SHOWN ON SAID MAP.

PARCEL 4:

THE SOUTH 335 FEET OF THE WEST HALF OF THE WEST HALF OF THE EAST 10 ACRES OF FARM LOT 885, ACCORDING TO MAP SHOWING SUBDIVISION OF LANDS BELONGING TO THE SEMI-TROPIC LAND AND WATER COMPANY, AS SHOWN BY MAP ON FILE IN BOOK 11 PAGE(S) 12, OF MAPS, RECORDS OF SAN BERNARDINO COUNTY, CALIFORNIA;

EXCEPTING THEREFROM THE SOUTH 185 FEET,

ALSO EXCEPTING THEREFROM THE EAST 35 FEET.

AREAS AND DISTANCES OF THE HEREINDESCRIBED PROPERTY ARE COMPUTED TO STREET CENTERS.

APN: 0231-021-32

PARCEL 5:

PORTION OF FARM LOT 885, ACCORDING TO MAP SHOWING SUBDIVISION OF LANDS BELONGING TO THE SEMI-TROPIC LAND AND WATER COMPANY, AS SHOWN BY MAP ON FILE IN BOOK 11 PAGE(S) 12, OF MAPS, RECORDS OF SAN BERNARDINO COUNTY, CALIFORNIA, DESCRIBED AS FOLLOWS:

BEGINNING 65 FEET EAST OF THE SOUTHWEST CORNER OF THE WEST HALF OF THE EAST HALF OF SAID LOT 885; THENCE NORTH 185 FEET; THENCE EAST 65 FEET; THENCE SOUTH 185 FEET; THENCE WEST 65 FEET TO THE POINT OF BEGINNING;

EXCEPT ANY PORTION LYING WITHIN SOUTH 185 FEET OF THE WEST 65 FEET OF THE EAST 10 ACRES OF SAID LOT 885.

AREAS AND DISTANCES COMPUTED TO STREET CENTERS AS SHOWN ON SAID MAP.

APN: 0231-01-24

PARCEL 6:

THE SOUTH HALF OF THE WESTERLY PORTION OF FARM LOT 885, AND THE WESTERLY PRORATION BEING DESCRIBED AS ALL OF SAID FARM LOT 885,

EXCEPT THE EAST 10 ACRES THEREOF, ACCORDING TO MAP SHOWING SUBDIVISION OF LANDS BELONGING TO THE SEMI-TROPIC LAND AND WATER COMPANY, COUNTY OF SAN BERNARDINO, STATE OF CALIFORNIA, AS PER PLAT RECORDED IN BOOK 11 OF MAPS, PAGE 12, RECORDS OF SAID COUNTY.

EXCEPTING THEREFROM THE WEST 317.50 FEET.

ALSO SAVING AND EXCEPTING THEREFROM THE EAST 160 FEET OF THE SOUTH 150 FEET

THEREOF.

AREAS AND DISTANCES OF THE ABOVE DESCRIBED PROPERTY ARE COMPUTED TO THE CENTER LINE OF ALL ADJOINING STREETS AND ROADS, AS SHOWN ON SAID PLAT.

APN: 0231-021-46

PARCEL 7:

PARCEL 7A:

THE EAST HALF OF THE WEST HALF OF THE EAST 10 ACRES OF FARM LOT 885, ACCORDING TO MAP SHOWING SUBDIVISION OF LAND BELONGING TO THE SEMI-TROPIC LAND AND WATER COMPANY, AS SHOWN BY MAP ON FILE IN BOOK 11 PAGE(S) 12, OF MAPS, RECORDS OF SAN BERNARDINO COUNTY, CALIFORNIA;

EXCEPTING THEREFROM THE SOUTH 210 FEET OF THE EAST 100 FEET THEREOF.

PARCEL 7B:

THE EAST 35 FEET OF THE WEST HALF OF THE WEST HALF OF THE EAST 10 ACRES OF LOT 885, ACCORDING TO MAP SHOWING SUBDIVISION OF LAND BELONGING TO THE SEMI-TROPIC LAND AND WATER COMPANY, AS SHOWN BY MAP ON FILE IN BOOK 11 PAGE(S) 12, OF MAPS, RECORDS OF SAN BERNARDINO COUNTY, CALIFORNIA.

PARCEL 7C:

THE SOUTH 210 FEET OF THE EAST 100 FEET OF THE WEST HALF OF THE EAST 10 ACRES OF FARM LOT 885, ACCORDING TO MAP SHOWING SUBDIVISION OF LAND BELONGING TO THE SEMI-TROPIC LAND AND WATER COMPANY, AS SHOWN BY MAP ON FILE IN BOOK 11 PAGE(S) 12, OF MAPS, RECORDS OF SAN BERNARDINO COUNTY, CALIFORNIA.

AREAS AND DISTANCES ARE COMPUTED TO THE CENTER LINES OF ADJOINING STREETS.

APN: 0231-021-57

PARCEL 5:

PARCEL 5A:

ALL THAT PORTION OF LOT 885, ACCORDING TO MAP SHOWING SUBDIVISION OF LANDS BELONGING TO THE SEMI-TROPIC LAND AND WATER COMPANY, IN THE COUNTY OF SAN BERNARDINO, STATE OF CALIFORNIA, AS PER PLAT RECORDED IN BOOK 11 OF MAPS, PAGE 12, RECORDS OF SAID COUNTY, DESCRIBED AS FOLLOWS:

COMMENCING IN THE CENTER OF RANDALL AVENUE AT THE SOUTHWEST CORNER OF THE EAST 10 ACRES OF SAID LOT 885, COMPUTED TO THE CENTER OF ADJOINING STREETS; THENCE NORTH ALONG THE WEST LINE OF SAID EAST 10 ACRES, 150 FEET; THENCE WEST 75 FEET; THENCE SOUTH 150 FEET TO THE CENTER LINE OF RANDALL AVENUE; THENCE EAST 75 FEET TO THE POINT OF BEGINNING.

AREAS AND DISTANCES COMPUTED TO STREET CENTERS.

PARCEL 8B:

THE WEST 85 FEET OF THE EAST 160 FEET OF THE SOUTH 150 FEET OF THAT PORTION OF LOT 885, ACCORDING TO MAP SHOWING SUBDIVISION OF LANDS BELONGING TO THE SEMI-TROPIC LAND AND WATER COMPANY LYING WESTERLY OF THE EAST 10 ACRES OF SAID LOT, AS PER PLAT RECORDED IN BOOK 11 OF MAPS, PAGE 12, RECORDS OF SAID COUNTY.

AREAS AND DISTANCES COMPUTED TO STREET CENTERS.

APN: 0231-021-76

PARCEL 9:

ALL THAT PORTION OF FARM LOT 885, ACCORDING TO MAP OF LANDS BELONGING TO SEMI-TROPIC LAND AND WATER COMPANY IN THE COUNTY OF SAN BERNARDINO, STATE OF CALIFORNIA, AS PER PLAT RECORDED IN BOOK 11, PAGE(S) 12 OF MAPS, RECORDS OF SAID COUNTY.

COMMENCING AT THE SOUTHWEST CORNER OF SAID LOT 885, SAID POINT ALSO BEING THE CENTERLINE OF CHERRY AVENUE AND RANDALL AVENUE; THENCE NORTH 89° 44' 47" EAST, 317.51 FEET ALONG THE SOUTH LINE OF SAID LOT 885, ALSO BEING THE CENTERLINE OF RANDALL AVENUE, TO THE EAST LINE OF THE WEST 317.50 FEET; THENCE NORTH 00° 09' 18" EAST, 332.12 FEET ALONG THE EAST LINE OF SAID WEST 317.50 FEET TO A POINT ON THE SOUTH LINE OF THE NORTH HALF OF SAID LOT 885; THENCE NORTH 89° 45' 10" EAST 130.65 FEET ALONG THE SOUTH LINE OF SAID NORTH HALF BEING THE POINT OF BEGINNING; THENCE NORTH 00° 09' 18" EAST, 166.79 FEET; THENCE NORTH 99° 50' 42" WEST, 72.15 FEET; THENCE NORTH 00° 09' 18" EAST, 129.67 FEET; THENCE SOUTH 89° 50' 42" EAST, 90.30 FEET; THENCE NORTH 00° 09' 18" EAST, 35.73 FEET TO NORTH LINE OF SAID LOT 885; THENCE NORTH 89° 45' 32" EAST, 241.13 FEET ALONG THE NORTH LINE OF SAID LOT 885 TO THE WEST LINE OF THE EAST 10 ACRES OF SAID LOT 885; THENCE SOUTH 00° 09' 08" WEST, 332.07 FEET ALONG THE WEST LINE OF SAID EAST 10 ACRES TO THE SOUTH LINE OF THE NORTH HALF OF SAID LOT 885; THENCE SOUTH 89° 45' 10" WEST, 259.29 FEET ALONG THE SOUTH LINE OF THE NORTH HALF OF SAID LOT 885 TO THE POINT OF BEGINNING.

SAID LAND IS ALSO SHOWN AS PARCEL B OF CERTIFICATE OF COMPLIANCE NO. WVL369-07 RECORDED AUGUST 02, 2007, AS INSTRUMENT NO. 2007-0452768, OF OFFICIAL RECORDS.

APN: 0231-021-82

PARCEL 10:

PARCEL 10A:

ALL THAT PORTION OF FARM LOT 885, ACCORDING TO MAP OF LANDS BELONGING TO SEMI-TROPIC LAND AND WATER COMPANY, IN THE COUNTY OF SAN BERNARDINO, STATE OF CALIFORNIA, AS PER PLAT RECORDED IN BOOK 11, PAGE 12 OF MAPS, RECORDS OF SAID COUNTY.

COMMENCING AT THE SOUTHWEST CORNER OF SAID LOT 885, SAID POINT ALSO BEING THE CENTERLINE OF CHERRY AVENUE AND RANDALL AVENUE; THENCE NORTH 89° 44' 47" EAST 317.51 FEET ALONG THE SOUTH LINE OF SAID LOT 885, ALSO BEING THE CENTERLINE OF RANDALL AVENUE TO THE EAST LINE OF THE WEST 317.50 FEET BEING THE POINT OF BEGINNING; THENCE NORTH 00° 09' 18" EAST 332.12 FEET ALONG THE EAST LINE OF SAID WEST 317.50 FEET TO A POINT ON THE SOUTH LINE OF THE NORTH HALF OF SAID LOT 885; THENCE NORTH 89° 45' 10" EAST 130.65 FEET ALONG THE SOUTH LINE OF SAID NORTH HALF; THENCE NORTH 00° 09' 18" EAST 166.79 FEET; THENCE NORTH 89° 50' 42" WEST 72.15 FEET; THENCE NORTH 00° 09' 18" EAST 129.67 FEET; THENCE SOUTH 89° 50' 42" EAST 90.30 FEET;

THENCE NORTH 00° 09' 18" EAST 35.73 FEET TO THE NORTH LINE OF SAID LOT 885; THENCE SOUTH 89° 45' 32" WEST 466.31 FEET TO THE WEST LINE OF SAID LOT 885, ALSO BEING THE CENTERLINE OF CHERRY AVENUE; THENCE SOUTH 00° 09' 18" WEST 415.85 FEET ALONG THE WEST LINE OF SAID LOT 885, ALSO BEING THE CENTERLINE OF CHERRY AVENUE; THENCE SOUTH 89° 50' 42" EAST 213.29 FEET; THENCE SOUTH 00° 19' 18" WEST 246.96 FEET TO THE SOUTH LINE OF SAID LOT 885, ALSO BEING THE CENTERLINE OF RANDALL AVENUE; THENCE NORTH 89° 44' 47" EAST 104.21 FEET ALONG THE SOUTH LINE OF SAID LOT 885, ALSO BEING THE CENTERLINE OF SAID RANDALL AVENUE TO THE POINT OF BEGINNING.

NOTE: THE ABOVE PARCEL IS MADE PURSUANT TO THAT CERTIFICATE OF COMPLIANCE WVL368-07 RECORDED AUGUST 02, 2007 AS INSTRUMENT NO. 2007-0452767 OF OFFICIAL RECORDS.

APN: 0231-021-84

PARCEL 10B:

ALL THAT PORTION OF FARM LOT 885, ACCORDING TO MAP OF LANDS BELONGING TO SEMI-TROPIC LAND AND WATER COMPANY, IN THE COUNTY OF SAN BERNARDINO, STATE OF CALIFORNIA, AS PER PLAT RECORDED IN BOOK 11, PAGE 12 OF MAPS, RECORDS OF SAID COUNTY.

BEGINNING AT THE SOUTHWEST CORNER OF SAID LOT 885, SAID POINT ALSO BEING THE CENTERLINE OF CHERRY AVENUE AND RANDALL AVENUE; THENCE NORTH 00° 19' 18" EAST 248.45 FEET ALONG THE WEST LINE OF SAID LOT 885, ALSO BEING THE CENTERLINE OF CHERRY AVENUE TO A POINT SOUTH 00° 09' 18" WEST 415.85 FEET FROM THE NORTHWEST CORNER OF SAID LOT 885; THENCE SOUTH 89° 50' 42" EAST 213.29 FEET; THENCE SOUTH 00° 09' 18" WEST 246.93 FEET TO THE SOUTH LINE OF SAID LOT 885, ALSO BEING THE CENTERLINE OF RANDALL AVENUE; THENCE SOUTH 89° 44' 47" WEST 213.30 FEET ALONG THE SOUTH LINE OF LOT 885, ALSO BEING THE CENTERLINE OF RANDALL AVENUE TO THE POINT OF BEGINNING.

APN: 0231-021-83

**COMPENSATION AGREEMENT
(Rosemary and Iris Site)**

This Agreement, dated for reference purposes as of June 14, 2016 is entered into by and among the San Bernardino County Successor Agency (successor in interest to the dissolved San Bernardino County Redevelopment Agency), the County of San Bernardino, the San Bernardino County Flood Control District, the City of Fontana, the San Bernardino County Free Library, the San Bernardino County Superintendent of Schools, the Fontana Fire Protection District, the Chaffey Community College District, the Fontana Unified School District, the County Service Area (SI-1), Inland Empire Resource Conservation District, and the Inland Empire Utilities Agency, on the basis of the following facts, understandings, and intentions of the Parties:

RECITALS

A. These Recitals refer to and utilize certain capitalized terms which are defined in Section 1 of this Agreement. The Parties intend to refer to those definitions in connection with the use thereof in this Agreement.

B. Pursuant to the Redevelopment Dissolution Statutes, and the decision in *Community Redevelopment Association v. Matosantos* (2011) 53 Cal.4th 231, the San Bernardino County Redevelopment Agency (the "Former RDA") was dissolved as of February 1, 2012, and the Successor Agency became responsible for paying the enforceable obligations, disposing of the properties and other assets, and unwinding the affairs of the Former RDA.

C. Accordingly, ownership of the Former RDA's properties that had been acquired to implement the Redevelopment Plan transferred to the Successor Agency for disposition in accordance with the Redevelopment Dissolution Statutes.

D. The Successor Agency received a finding of completion, pursuant to Health and Safety Code Section 34179.7, from the DOF on December 5, 2013, confirming that the Successor Agency had made specified required payments under the Redevelopment Dissolution Statutes, and entitling the Successor Agency to prepare and submit a Long-Range Property Management Plan to the Oversight Board and the DOF for approval.

E. The Successor Agency initially prepared and obtained Oversight Board approval of its LRPMP (as defined in Section 1.1(q) below) on June 5, 2014, calling for, among other things, the Former RDA's properties to be transferred by the Successor Agency to the County for liquidation, governmental use, and future disposition by the County and development by selected Developers to implement projects identified in the Redevelopment Plan (all as specified in the initial LRPMP).

F. The DOF directed that, in order to obtain DOF approval, the initial LRPMP needed to be amended to provide for preparation and execution of a compensation agreement among the County and the Taxing Entities pursuant to Health and Safety Code Section 34180(f),

providing for specified proceeds of the County's subsequent disposition of the Former RDA properties to be distributed to the Taxing Entities in accordance with their proportional shares of the base property tax revenues.

G. To comply with this DOF directive, the Successor Agency revised the LRPMP through an amendment approved by the Oversight Board and submitted to the DOF in September 2014. The DOF approved the LRPMP by determination letter issued on September 10, 2015.

H. Under the approved LRPMP, the Successor Agency is authorized to transfer certain parcels of real property located in the County of San Bernardino APN Nos. certain real property located in the County of San Bernardino 0234-041-51-000, 0234-041-49-000, 0234-041-23-000, 0234-041-34-000, 0234-041-09-000, 0234-041-45-000, 0234-041-04-0000, 0234-041-30-0000, 0234-041-05-0000, 0234-041-32-0000, 0234-041-52-0000, 0234-041-01-0000, 0234-041-60-0000, 0234-041-14-0000, 0234-041-25-000, 0234-041-02-0000, 0234-041-28-0000, 0234-041-40-0000, 0234-041-39-0000, 0234-041-54-0000, 0234-041-31-0000, 0234-041-29-0000, 0234-041-50-0000, 0234-041-08-0000, 0234-041-03-0000, 0234-041-06-0000, 0234-041-24-0000, 0234-041-11-0000, 0234-041-07-0000, 0234-041-10-0000, 0234-041-26-0000, 0234-041-20-0000, 0234-041-22-0000, 0234-041-15-0000, 0234-041-63-0000, 0234-041-19-0000, 0234-041-21-0000, 0234-041-53-0000, 0234-041-48-0000, 0234-041-46-0000, 0234-041-65-0000, 0234-041-57-0000, 0234-041-41-0000, 0234-041-37-0000, 0234-041-44-0000, 0234-041-64-0000, 0234-041-55-0000, and 0234-041-43-0000, and further described in Exhibit A incorporated herein by reference (the "Property") to the County, subject to the terms of this Agreement.

I. As designated in the LRPMP, the County will retain the Property for future development for a project in approved redevelopment plan as allowed under Health and Safety Code Section 34191.5(c)(2).

J. The Parties are entering into this Agreement to comply with the terms of the revised LRPMP.

NOW, THEREFORE, the Parties agree as follows:

Section 1. Definitions. The following definitions shall apply in this Agreement:

(a) "Agreement" means this Compensation Agreement, as this Agreement may be amended from time to time.

(b) "Applicable Shares" has the meaning given in Section 6(a).

(c) "Auditor-Controller" means the San Bernardino County Auditor-Controller, Treasurer, and Tax Collector.

(d) "Close of Escrow" means the date the Property is transferred by a grant deed recorded in the official records of the County.

(e) "County" means the County of San Bernardino, a political subdivision of the State of California, or its assigns.

(f) "DDA" means the disposition and development agreement between the County and the Developer for the development of the Property for a project in an approved redevelopment plan.

(g) "Developer" means, the developer to which the County disposes the Property pursuant to a DDA.

(h) "Disposition Proceeds" means, with respect to the Property, any Temporary Rental Income PLUS the gross purchase price and other compensation, if any, actually received by the County from the Developer in consideration for the disposition of the Property pursuant to the DDA pursuant to Section 5(a) or the FMV Retention Value payment made pursuant to Section 5(d) LESS any proceeds of sale that are restricted by virtue of the source of funds (e.g. grant funds or proceeds of bonds) that were used for the original acquisition or improvement of the Property, and less the sum of the County's actual costs for the following items (but only to the extent paid from County funds and not from funds provided by the Successor Agency, a Developer, or another separate entity), each to be substantiated and documented in reasonable detail in the Disposition Proceeds Statement for the Property:

(1) the County's actual costs, not to exceed an average of One Thousand Dollars (\$1,000) per month, for normal maintenance, management and insurance of the applicable Property from the date the Property is transferred by the Successor Agency to the County pursuant to Section 4 to the date the Property is disposed of by the County to the Developer pursuant to the DDA pursuant to Section 5(a) or to the date the County makes the FMV Retention Value payment pursuant to Section 5(d); plus

(2) the County's actual costs of any capital improvements or repairs to maintain the Property in a safe and lawful condition incurred from the date the Property is transferred by the Successor Agency to the County pursuant to Section 4 to the date the Property is disposed of by the County to the Developer pursuant to the DDA pursuant to Section 5(a) or to the date the County makes the FMV Retention Value payment pursuant to Section 5(d);

(3) the County's actual costs of site preparation, including hazardous materials remediation and pollution legal liability insurance premiums, if any, required to be paid by the County under the DDA for the applicable Property to prepare the Property for disposition, but only to the extent the Property is disposed of by the County to the Developer pursuant to the DDA pursuant to Section 5(a); plus

(4) the County's actual costs, to pay third party vendors for appraisal, legal, real estate consultant and marketing, title company, title insurance and to the extent applicable any other costs related to Developer selection, DDA preparation and approval, and closing costs for disposition of the Property but only to the extent the Property is disposed of by the County to the Developer pursuant to the DDA pursuant to Section 5(a); plus

(5) any broker's commissions payable by the County pursuant to the DDA for the Property but only to the extent the Property is disposed of by the County to the Developer pursuant to the DDA pursuant to Section 5(a).

(i) "Disposition Proceeds Receipt Date" means the date on which the County receives the proceeds from the disposition of the Property to the Developer pursuant to a DDA under Section 5(a) or the date the County makes the FMV Retention Value payment pursuant to Section 5(d).

(j) "Disposition Proceeds Statement" means the statement prepared by the County and delivered to the Taxing Entities in accordance with Section 5(b).

(k) "DOF" means the California Department of Finance.

(l) "Effective Date" has the meaning given in Section 2.

(m) "ERAF" means the County Educational Revenue Augmentation Fund.

(n) "Escrow Agent" means Old Republic Title Company, 555 12th Street Suite 2000, Oakland, CA 92108, or such other title company selected by the County.

(o) "Fiscal Year" means the fiscal year of the County in effect from time to time. The current Fiscal Year period of the County commences on July 1 of each calendar year and ends on the following June 30.

(p) "Former RDA" has the meaning set forth in Recital B.

(q) "LRPMP" means the Long-Range Property Management Plan of the Successor Agency as it exists from time to time. As of the date of this Agreement, the LRPMP consists of the revised Long-Range Property Management Plan dated September 15, 2014 as approved by the Oversight Board on June 05, 2014 (the "Initial LRPMP"). The DOF approved the LRPMP in the determination letter dated September 10, 2015.

(r) "Notice of Compensation Agreement" has the meaning given in Section 2(c).

(s) "Notice of FMV Payment" has the meaning given in Section 5.

(t) "Oversight Board" means the Successor Agency's oversight board established and acting in accordance with the Redevelopment Dissolution Statutes.

(u) "Parties" means all of the parties to this Agreement as set forth in the opening paragraph of this Agreement. "Party" means one of the Parties individually.

(v) "Property" has the meaning set forth in Recital H.

(w) "Redevelopment Dissolution Statutes" means collectively ABx1 26 enacted in June 2011, AB 1484 enacted in June 2012, and SB 107, enacted September 2015, and any future amendments that may apply.

(x) "Redevelopment Plan" means the San Sevaïne Redevelopment Plan.

(y) "Successor Agency" means the Successor Agency of the Redevelopment Agency of the County of San Bernardino.

(z) "Taxing Entities" means, collectively, the following entities that comprise affected taxing entities for purposes of the Redevelopment Dissolution Statutes: the County of San Bernardino), the County of San Bernardino, the San Bernardino County Flood Control District, the San Bernardino County Free Library, the San Bernardino County Superintendent of Schools, the City of Fontana, the Fontana Fire Protection District, the Chaffey Community College District, the Fontana Unified School District, the County Service Area (SL-1), Inland Empire Resource Conservation District, and the Inland Empire Utilities Agency. "Taxing Entities" shall also mean and include ERAF if and to the extent the Auditor-Controller determines that ERAF is entitled to a distribution of compensation pursuant to Section 6 and the provisions of Health and Safety Code Section 34188. Notwithstanding anything to the contrary herein, ERAF is only considered a Taxing Entity for purposes of distributing funds and for no other purpose, and no additional approval or signature will be required on behalf of ERAF.

(aa) "Temporary Rental Income" means any lease rental income, use fee income or other income, if any, that may be received by the County with respect to the Property minus the documented costs to the County of improvement, operation and maintenance of the Property for the temporary use prior to the transfer of the Property pursuant to the DDA.

Section 2. Effectiveness of Agreement.

(a) This Agreement shall become effective only upon satisfaction of the following conditions:

(1) Approval of this Agreement by the Taxing Entities' governing boards and direction for the Taxing Entities to execute this Agreement;

(2) Approval of this Agreement by the Successor Agency's governing board and direction for the Successor Agency to execute and implement this Agreement pursuant to Health and Safety Code Section 34180(f); and

(3) The signing of this Agreement by authorized representatives of all the Parties.

(b) Promptly following the effectiveness of this Agreement, the County and the Successor Agency shall transmit notice to all the other Parties that the Agreement is effective and specifying the date the Agreement became effective (the "Effective Date").

(c) No later than fourteen (14) business days after the Effective Date, the County shall record in the Official Records of the County of San Bernardino a notice of Compensation Agreement substantially in the form attached hereto as Exhibit D (the "Notice of

Compensation Agreement"), incorporated herein by this reference. The County shall mail a copy of the recorded Notice of Compensation Agreement within a reasonable time of receipt of the recorded Notice of Compensation Agreement.

Section 3. Signatories With Respect To Certain Funds.

(a) **Superintendent of Schools.** The San Bernardino County Superintendent of Schools (the "Superintendent") administers the following special districts and funds, and, in addition to entering into this Agreement for itself, is authorized to, and has entered into and executed this Agreement on behalf of the following:

- (1) County Superintendent _____ Fund (BS01-GA01);
- (2) County Superintendent _____ Fund (BS01-GA02);
- (3) County Superintendent _____ Fund (BS01-GA03); and
- (4) County Superintendent _____ Fund (BS01-GA04).

(b) **Inland Empire Utilities Agency.** The Inland Empire Utilities Agency (the "Utilities Agency") administers the following special districts and funds, and, in addition to entering into this Agreement for itself, is authorized to, and has entered into and executed this Agreement on behalf of the following:

- (1) Utilities Agency Fund _____ (WU08-GA01); and
- (2) Utilities Agency Fund _____ (WU08-GA05).

(c) **ERAF.** ERAF may be entitled to a distribution pursuant to Section 6 of a portion of the Disposition Proceeds from the disposition of each Property. Pursuant to instruction and direction from the DOF and the Auditor-Controller, there is no need for a separate signatory to execute this Agreement on behalf of ERAF because the ultimate beneficiaries of any distribution of Disposition Proceeds to ERAF are themselves Taxing Entities that are signatories to this Agreement.

(d) **County Districts.** The County of San Bernardino administers funds for the following special districts and funds, and, in addition to entering into this Agreement for itself, is authorized to, and has entered into this Agreement on behalf of the following:

- (1) San Bernardino County Free Library;
- (2) County Service Area (SL-1)
- (3) Flood Control District;
- (4) Flood Control Zone 1; and
- (5) Flood Control Administration 1 & 2.

Section 4. Conveyance of Property to County. Promptly following the Effective

Date, the Successor Agency shall convey, and the County shall accept, all of the interest in and to the Properties. The Successor Agency shall convey the Properties by deed in a form reasonably acceptable to the Successor Agency and the County. In accordance with Health and Safety Code Sections 34179(h)(1)(D) and (E), and Section 34191.5(f), no further approval of the Oversight Board or the DOF will be necessary to effectuate the transfers contemplated herein, to the extent those transfers are consistent with the approved LRPMP.

Section 5. Disposition of Properties by County.

(a) Within a time frame determined by the County to yield a financially feasible and marketable development and in accordance with the procedures and requirements set forth herein, the County shall use diligent good faith efforts to select a Developer for the Property, negotiate and obtain approval and execution of the DDA for the Property, and dispose of the Property to the Developer in accordance with the DDA in order to obtain the Disposition Proceeds for distribution through the Escrow Agent to the Taxing Entities pursuant to Section 6 and to enable development of the Property in accordance with the Redevelopment Plan and LRPMP. As required by Government Code Section 52201, the purchase price payable to the County for each Property under the applicable DDA shall be an amount that is determined to be not less than the Property's fair market value at highest and best use, or the Property's fair reuse value at the use and with the covenants and conditions and development costs authorized by the DDA.

(b) By not later than the date of first published notice of the Board of Supervisors public hearing for the DDA (the "DDA Public Hearing Notice"), the County shall provide each Taxing Entity with a copy of the DDA Public Hearing Notice (including the date, time and location of the public hearing and the location at which the proposed DDA may be inspected and copied), and a statement setting forth the proposed purchase price to be paid to the County under the proposed DDA.

(c) Upon the execution of the DDA for each Property, the County shall transmit a copy of the executed DDA to the other Parties.

(d) Notwithstanding anything to the contrary, any time prior to a Transfer of the Property under a DDA, the County may at its sole and absolute discretion, elect to retain the Property, or any portion thereof, to perform development activities funded from the County's own funds under the County's auspices. If the County elects to retain the Property pursuant to this Section 5(d), the County must pay to the Taxing Entities the higher of: (i) the current fair market value of the property retained by the County or (ii) the fair market value, as of the 2011 tax lien date, of the Property or such portion thereof retained by the County (the "FMV Retention Value"). The appraisals required under this section shall be performed by an independent certified Member of Appraisal Institute (MAI) appraiser or other qualified real estate appraiser approved by the Successor Agency's Oversight Board. The appraisal shall be based upon the best available sales prices of comparable properties sold in the market area during the preceding six (6)-month period or such other time period deemed appropriate by the appraiser. The appraisal shall utilize a date of value that is no more than sixty (60) calendar days from the date the County makes the payment under this Section 5(d) (the "FMV Compensation Date"). At least thirty (30) calendar days prior to the Net Proceeds Disposition Date, the County shall provide each Taxing Entity with a copy of the appraisal, and a statement setting forth the FMV

Retention Value to be paid by the County (the "Notice of FMV Payment").

Section 6. Compensation To Taxing Entities Related To Disposition Proceeds.

(a) **Distribution of Disposition Proceeds.** At the Close of Escrow for the Property, the County shall remit any Temporary Rental Income (if any) and the Developer shall remit the Disposition Proceeds to the Escrow Agent for immediate distribution by the Escrow Agent to the Taxing Entities. No later than five (5) business days after the Disposition Proceeds Receipt Date, the Escrow Agent shall disburse the Disposition Proceeds among the Taxing Entities in proportion to their shares of the base property tax (the "Applicable Shares"), as determined by the Auditor-Controller pursuant to Health and Safety Code Section 34188. The attached Exhibit C shows, for illustrative purposes only, the Applicable Shares of the Taxing Entities that would have applied to a distribution under this Section 6 had the distribution been made on January 1, 2016, as provided by the Auditor-Controller.

(b) **Accounting Requirements.** At the time of a distribution pursuant to subsection 6(a) above, the County shall provide to the Escrow Agent, the Taxing Entities and the Auditor-Controller a statement prepared in accordance with sound accounting practice that provides the County's calculation of the Disposition Proceeds (the "Disposition Proceeds Statement"). The County shall keep complete, accurate and appropriate books and records of its calculation of the Disposition Proceeds with respect to such distribution. The Auditor-Controller shall have the right, on behalf of the Taxing Entities and upon reasonable written notice to County, to audit and examine such books, records and documents and other relevant items in the possession of the County, but only to the extent necessary for a proper determination of Disposition Proceeds. The Escrow Agent shall have no liability for any distributions made pursuant to this Agreement.

Section 7. Release of Notice of Compensation Agreement. On and after the Close of Escrow and the distribution by the Escrow Agent of any applicable Disposition Proceeds for the Property, the County shall have the authority to release from the Official Records the Notice of Compensation Agreement as an encumbrance against the Property.

Section 8. Term of Agreement; Early Termination.

(a) **Term.** The term of this Agreement shall commence on the Effective Date and, unless sooner terminated as otherwise provided in this Agreement, shall expire upon the distribution by the Escrow Agent of the Disposition Proceeds owed to Taxing Entities under this Agreement, if any.

(b) **Early Termination.** Notwithstanding any other provision of this Agreement or the LRPMP, a Party may terminate this Agreement upon written notice to the other Parties if a court order, legislation, or DOF policy reverses the DOF's directive regarding the need for this Agreement and the payment of compensation by the County pursuant to Health and Safety Code Section 34180(f) (an "Early Termination"). Subject to the satisfaction of such

condition, an Early Termination shall become effective five (5) days after the terminating Party delivers the required notice to the other Parties in accordance with Section 9(a). Upon effectiveness of an Early Termination, no Party shall have any further rights or obligations under this Agreement, and the County may retain the all proceeds from the sale of the Property; provided, however, that the County shall have no right to recover any Disposition Proceeds from any Taxing Entity that were distributed through the Escrow Agent pursuant to Section 7 hereof, prior to the effective date of the Early Termination.

Section 9. Miscellaneous Provisions.

(a) Notices. All notices, statements, or other communications made pursuant to this Agreement to another Party or Parties shall be in writing, and shall be sufficiently given and served upon the Party if sent by: (1) United States certified mail, return receipt requested, postage prepaid; or (2) nationally recognized overnight courier, with charges prepaid or charged to sender's account, and addressed to the applicable Party in the manner specified in the attached Exhibit A. Any Party may change its address for notice purposes by written notice to the other Parties prepared and delivered in accordance with the provisions of this Section 9(a).

(b) No Third Party Beneficiaries. No person or entity other than the Parties and their permitted successors and assigns, shall have any right of action under this Agreement.

(c) Litigation Regarding Agreement. In the event litigation is initiated by a non-Party attacking the validity of this Agreement, each Party that is not a claimant, and does not become a claimant, in such litigation, shall in good faith defend and seek to uphold the Agreement; provided, however, that the costs of such litigation, including reasonable costs incurred by any non-claimant Taxing Entities in such litigation, shall be borne solely by the County and/or the Successor Agency.

(d) State Law; Venue. This Agreement, and the rights and obligations of the Parties hereto, shall be construed and enforced in accordance with the laws of the State of California. Any action to enforce or interpret this Agreement shall be filed and heard in the Superior Court of San Bernardino County, California or in the Federal District Court for the Central District of California.

(e) Attorneys' Fees. In any action which a Party brings to enforce its rights hereunder, the unsuccessful Party or Parties shall pay all costs incurred by the prevailing party, including reasonable attorneys' fees.

(f) Entire Agreement; Amendment. This Agreement constitutes the entire and integrated agreement of the Parties and supersedes all prior negotiations, representations, or agreements, either written or oral, relating to the subject matter of this Agreement. This Agreement may be modified only in writing and only if approved and signed by all of the Parties.

(g) Counterparts. This Agreement may be executed in counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same agreement. The signature page of any counterpart may be detached therefrom without impairing the legal effect of the signature(s) thereon, provided such signature page is attached to any other

counterpart identical thereto having additional signature pages executed by the other Parties. Any executed counterpart of this Agreement may be delivered to the other Parties by facsimile and shall be deemed as binding as if an originally signed counterpart was delivered.

(h) Non-Waiver. No waiver of a breach, failure of any condition, or any right or remedy contained in or granted by the provisions of this Agreement will be effective unless it is in writing and signed by the waiving Parties.

(i) No Partnership. Nothing contained in this Agreement shall be construed to constitute any Party as a partner, employee, joint venturer, or agent of any other Party.

(j) Ambiguities. Any rule of construction to the effect that ambiguities are to be resolved against the drafting party does not apply in interpreting this Agreement.

(k) Exhibits. The following exhibits are incorporated in this Agreement by reference:

Exhibit A: Property Legal Description

Exhibit B: List of Addresses for Notice Purposes

Exhibit C: Illustrative Taxing Entities Applicable Shares of Property Taxes

Exhibit D: Notice of Compensation Agreement

(l) Severability. If any term, provision, or condition of this Agreement is held by a court of competent jurisdiction to be invalid or unenforceable, the remainder of this Agreement shall continue in full force and effect unless an essential purpose of this Agreement is defeated by such invalidity or unenforceability.

(m) Action or Approval. Whenever action and/or approval by the County is required under this Agreement, the County Chief Executive Officer or the County Chief Executive Officer's designee may act on and/or approve such matter unless specifically provided otherwise, or unless the County Chief Executive Officer determines in the County Chief Executive Officer's discretion that such action or approval requires referral to the Board of Supervisors for consideration. Whenever action and/or approval by the Successor Agency is required under this Agreement, the Successor Agency Executive Director or the Successor Agency Executive Director's designee may act on and/or approve such matter unless specifically provided otherwise, or unless the Successor Agency Executive Director determines in the Successor Agency Executive Director's discretion that such action or approval requires referral to the Successor Agency Board for consideration.

[SIGNATURE PAGES FOLLOW]

IN WITNESS WHEREOF, the Parties hereto have executed this Agreement as of the dates set forth in the opening paragraph of this Agreement.

SAN BERNARDINO COUNTY SUCCESSOR
AGENCY, a separate legal entity pursuant to
Health & Safety Code §34173

COUNTY OF SAN BERNARDINO

By: _____
James Ramos, Chairman,
Successor Agency Governing Board

Dated: _____

SIGNED AND CERTIFIED THAT A
COPY OF THIS DOCUMENT HAS
BEEN DELIVERED TO THE CHAIRMAN
OF THE SUCCESSOR AGENCY GOVERNING BOARD

Laura H. Welch, Clerk of the Board of Supervisors
of the County of San Bernardino

APPROVED AS TO LEGAL FORM:

Michelle D. Blakemore
Chief Assistant County Counsel

The undersigned authorized signatory hereby executes this Agreement on behalf of each of the following entities and funds:

County of San Bernardino General Fund
San Bernardino County Free Library
County Special Assessment District
Flood Control District;
Flood Control Zone 1; and
Flood Control Administration 1 and 2

COUNTY OF SAN BERNARDINO, a subdivision
of the State of California

By: _____
James Ramos, Chairman,
Board of Supervisors

Dated: _____

SIGNED AND CERTIFIED THAT A
COPY OF THIS DOCUMENT HAS
BEEN DELIVERED TO THE CHAIRMAN
OF THE BOARD

Laura H. Welch,
Clerk of the Board of Supervisors of the
County of San Bernardino

By: _____
Deputy

APPROVED AS TO LEGAL FORM:

Michelle D. Blakemore
Chief Assistant County Counsel

The undersigned authorized signatory hereby executes this Agreement on behalf of each of the following entities and funds:

San Bernardino County Superintended of Schools County
Superintendent _____ Fund (BS01-GA01);
County Superintendent _____ Fund (BS01-GA02);
County Superintendent _____ Fund (BS01-GA03); and
County Superintendent _____ Fund (BS01-GA04).

**SAN BERNARRDINO COUNTY
SUPERINTENDENT OF SCHOOLS**

By: _____

Name: _____

Its: _____

Dated: _____

APPROVED AS TO LEGAL FORM:

The undersigned authorized signatory hereby executes this Agreement.

FONTANA FIRE PROTECTION DISTRICT

By: _____

Name: _____

Its: _____

Dated: _____

APPROVED AS TO LEGAL FORM:

The undersigned authorized signatory hereby executes this Agreement.

CITY OF FONTANA

By: _____

Name: _____

Its: _____

Dated: _____

APPROVED AS TO LEGAL FORM:

The undersigned authorized signatory hereby executes this Agreement.

FONTANA UNIFIED SCHOOL DISTRICT

By: _____

Name: _____

Its: _____

Dated: _____

APPROVED AS TO LEGAL FORM:

The undersigned authorized signatory hereby executes this Agreement.

CHAFFEY COMMUNITY COLLEGE DISTRICT

By: _____

Name: _____

Its: _____

Dated: _____

APPROVED AS TO LEGAL FORM:

The undersigned authorized signatory hereby executes this Agreement.

INLAND EMPIRE RESOURCE
CONSERVATION DISTRICT

By: _____

Name: _____

Its: _____

Dated: _____

APPROVED AS TO LEGAL FORM:

The undersigned authorized signatory hereby executes this Agreement on behalf of each of the following entities and funds:

Inland Empire Utilities Agency
Utilities Agency Fund _____ (WU08-GA01); and
Utilities Agency Fund _____ (WU08-GA05).

INLAND EMPIRE UTILITIES AGENCY

By: _____

Name: _____

Its: _____

Dated: _____

APPROVED AS TO LEGAL FORM:

EXHIBIT A
LEGAL DESCRIPTION

Lots 1, 2, 3, 4, 5, 8, 11, 14, 15, 16, 17, 22, 23, 24, 26, 27, 28, 29, 31, 32, 35, 36, 37, 38, 39, 40, 41, 42, 44, 45, 46, 47, 48, 49, 50, 51, 52, 53, 54, 55, 56, 57, 58, 59, 62, 63 of Tract No. 3138, Janssen's Subdivision, as shown by map on file in Book 42, pages 19 and 20 of Maps, Records of San Bernardino County, State of California.

EXHIBIT B
LIST OF ADDRESSES FOR NOTICE PURPOSES

<p>County of San Bernardino Successor Agency 385 North Arrowhead Avenue, 5th Floor, #0120 San Bernardino, CA 92415-0120 Attn: Greg Devereaux, Chief Executive Officer</p>	<p>County of San Bernardino 222 West Hospitality Lane, 2nd Floor, #0018 San Bernardino, CA 92415-0018 Attn: Linda Santillano, Property Tax Manager</p>
<p>San Bernardino County Flood Control District 385 N. Arrowhead Ave., 5th Floor San Bernardino, CA 92415 Attn: Greg Devereaux, Chief Executive Officer</p>	<p>San Bernardino County Free Library District 385 N. Arrowhead Ave., 5th Floor San Bernardino, CA 92415 Attn: Greg Devereaux, Chief Executive Officer</p>
<p>San Bernardino County Superintendent of Schools 601 N. E Street San Bernardino, CA 92415-0020 Attn: Ted Alejandre, Superintendent</p>	<p>Fontana Fire Protection District 8353 Sierra Avenue Fontana, CA 92335-3528 Attn: Ken Hunt, City Manager</p>
<p>Chaffey Community College District 5885 Haven Avenue Rancho Cucamonga, CA 91737 Attn: Kim Erickson, Executive Director</p>	<p>Fontana Unified School District 9680 Citrus Avenue Fontana, CA 92335 Attn: Leslie Boozer, Superintendent</p>
<p>County Special Assessment District 157 West Fifth Street, 2nd Floor, #0450 San Bernardino, CA 92415 Attn: Greg Devereaux, Chief Executive Officer</p>	<p>Inland Empire Resource Conservation District 25864-K Business Center Drive Redlands, CA 92374 Attn: Mandy Parkes, District Manager</p>
<p>Inland Empire Utilities Agency 6075 Kimball Avenue Chino Hills, CA 91709 Attn: Christina Valencia, Chief Financial Officer</p>	<p>City of Fontana 8353 Sierra Avenue Fontana, CA 92335-3528 Attn: Ken Hunt, City Manager</p>

EXHIBIT C

**ILLUSTRATIVE TAXING ENTITIES
APPLICABLE SHARES OF PROPERTY TAXES**

The attached is for administrative purposes only, the Applicable Shares of the Taxing Entities will be determined by the County Auditor-Controller. Below are the Applicable Shares of the Taxing Entities that would have applied to a distribution under Section 6 of the Compensation Agreement, had such distribution been made on January 1, 2016.

<u>TAXING ENTITY/FUND</u>	<u>PROPERTY TAX SHARE</u>
County of San Bernardino - General Fund	15.99%
ERAF	22.03%
San Bernardino County Flood Control	2.74%
San Bernardino County Free Library	1.41%
San Bernardino County Superintendent of Schools	0.95%
City of Fontana	1.49%
Fontana Fire Protection District	18.38%
Chaffey Community College	4.21%
Fontana Unified School District	27.03%
County Service Area (SL-1)	1.19%
Inland Empire Joint Resource Conservation District	0.08%
Inland Empire Utilities Agency	4.51%
TOTAL	100%

EXHIBIT D

**NOTICE OF COMPENSATION AGREEMENT
RECORDING REQUESTED BY AND WHEN RECORDED MAIL TO:**

County of San Bernardino
Department of Community Development and Housing
385 North Arrowhead Ave Third Floor
San Bernardino, CA 92415-0043
Attn: Community Development and Housing Director

NO FEE FOR RECORDING PURSUANT TO
GOVERNMENT CODE SECTIONS 6103 AND 27383

(SPACE ABOVE THIS LINE FOR RECORDER'S USE)

**NOTICE OF COMPENSATION AGREEMENT
RELATED TO REAL PROPERTY**

(Rosemary and Iris/9911 and 9935 Calabash Ave, 13921-14050 Iris Dr., and 13920-14048
Rosemary Dr.)

NOTICE IS HEREBY GIVEN, that the San Bernardino County Successor Agency (the "Successor Agency"), the County of San Bernardino (the "County"), the San Bernardino County Flood Control District, the San Bernardino County Free Library, the San Bernardino County Superintendent of Schools, the Fontana Fire Protection District, the Chaffey Community College District, the City of Fontana, Fontana Unified School District, County Service Area (SL-1), Inland Empire Resource Conservation District, and the Inland Empire Utilities Agency (collectively, along with the County, the "Taxing Entities") entered into that certain Compensation Agreement, dated June 14, 2016 (the "Compensation Agreement"), with reference to that certain real property located in the County of San Bernardino located at 9911 and 9935 Calabash Ave., 13921-14050 Iris Dr., and 13920-14048 Rosemary Drive, and further described in Exhibit A incorporated herein by reference (the "Property").

The Successor Agency is the successor in interest to the dissolved San Bernardino County Redevelopment Agency (the "Former RDA"). Upon the Former RDA's dissolution title to the Property transferred to the Successor Agency. As authorized under the "Redevelopment Dissolution Statutes (Part 1.8 and 1.85 of Division 24 of the Health and Safety Code), the Successor Agency has prepared, and the California Department of Finance has approved, a Long Range Property Management Plan ("LRPMP").

Under the approved LRPMP, the Successor Agency is authorized to transfer the Property to the County, subject to the terms of the Compensation Agreement. Substantially concurrently herewith, in conformance with the terms of the LRPMP, the Successor Agency is transferring title to the Property to the County (in its capacity as owner of the Property, the County shall be

referred to as the "Owner"). As designated in the LRPMP, the County will retain the Property for [a governmental purpose as allowed under Health and Safety Code Section 34181 OR to future development for a project in approved redevelopment plan as allowed under Health and Safety Code Section 34191.5(c)(2)].

Among other requirements, the LRPMP requires the County to execute the Compensation Agreement with the Taxing Entities providing for a contingent payment of Disposition Proceeds (as defined in the Compensation Agreement) upon the Owner's subsequent disposition of the Property, under specified conditions.

The Compensation Agreement includes certain obligations related to the Property, including without limitation and as further described in the Compensation Agreement:

1. A requirement for the Owner to provide the Taxing Entities with notice of the DDA Public Hearing Notice pursuant to Section 5(a) or the Notice of FMV Payment pursuant to Section 5(b), which notices shall include the information required under the Compensation Agreement.

2. A requirement that the Owner provide the Taxing Entities and the County Auditor-Controller a Disposition Proceeds Statement including the information required under Section 6 of the Compensation Agreement.

3. A requirement for the Owner remit the Disposition Proceeds to the County-Auditor Controller for distribution to the Taxing Entities in proportion to their Applicable Shares base property tax as determined by the County's Auditor-Controller pursuant to Health and Safety Code Section 34188 and the Compensation Agreement.

A complete copy of the Compensation Agreement is maintained in the Office of the Clerk of the Board of Supervisors, and is available to review at 385 N. Arrowhead Avenue, Second Floor, San Bernardino, CA between 9 a.m. and 5 p.m.

In the event of any conflict between this Notice of Compensation Agreement Related to Property (the "Notice") and the Compensation Agreement, the terms of the Compensation Agreement shall prevail.

This Notice may only be amended or terminated with the written agreement of the Owner and the County.

Upon the earlier of satisfaction of the requirements of the Compensation Agreement as outlined in Section 6(c) of the Compensation Agreement, or earlier termination of the Compensation Agreement pursuant to Section 7 of the Compensation Agreement, the County shall release this Notice (the "Release"), by the execution and recordation of a release in substantially the form attached hereto as Exhibit B, incorporated herein by reference.

This Notice is being recorded and filed by the Owner of the Property, and shall be indexed against the Owner's interest in the Property and the County.

[Remainder of Page Left Intentionally Blank.]

IN WITNESS WHEREOF, the Owner and the County have entered into this Notice as of the first date written above.

COUNTY:

**COUNTY OF SAN BERNARDINO, a political
subdivision of the State of California**

By: _____
Gregory C. Devereaux
Chief Executive Officer

Date: _____

APPROVED AS TO LEGAL FORM:

JEAN-RENE BASLE, County Counsel

By: _____
Michelle Blakemore
Chief Assistant County Counsel

Date: _____

COUNTY:

**COUNTY OF SAN BERNARDINO, a political subdivision
of the State of California**

By: _____

APPROVED AS TO LEGAL FORM:

By: _____

Date: _____

[ALL SIGNATURES MUST BE NOTARIZED]

A notary public or other officer completing this certificate verifies only the identity of the individual who signed the document to which this certificate is attached, and not the truthfulness, accuracy, or validity of that document.

STATE OF CALIFORNIA)
)
COUNTY OF _____)

On _____, before me, _____, Notary Public, personally appeared _____, who proved to me on the basis of satisfactory evidence to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

I certify UNDER PENALTY OF PERJURY under the laws of the State of California that the foregoing paragraph is true and correct.

WITNESS my hand and official seal.

Name: _____
Notary Public

A notary public or other officer completing this certificate verifies only the identity of the individual who signed the document to which this certificate is attached, and not the truthfulness, accuracy, or validity of that document.

STATE OF CALIFORNIA)
)
COUNTY OF _____)

On _____, before me, _____, Notary Public, personally appeared _____, who proved to me on the basis of satisfactory evidence to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

I certify UNDER PENALTY OF PERJURY under the laws of the State of California that the foregoing paragraph is true and correct.

WITNESS my hand and official seal.

Name: _____
Notary Public

EXHIBIT A

LEGAL DESCRIPTION

The land is situated in the State of California, County of San Bernardino, and is described as follows:

Lots 1, 2, 3, 4, 5, 8, 11, 14, 15, 16, 17, 22, 23, 24, 26, 27, 28, 29, 31, 32, 35, 36, 37, 38, 39, 40, 41, 42, 44, 45, 46, 47, 48, 49, 50, 51, 52, 53, 54, 55, 56, 57, 58, 59, 62, 63 of Tract No. 3138, Janssen's Subdivision, as shown by map on file in Book 42, pages 19 and 20 of Maps, Records of San Bernardino County, State of California.

EXHIBIT B

FORM OF RELEASE AGREEMENT

RECORDING REQUESTED BY AND WHEN RECORDED MAIL TO:

County of San Bernardino
Department of Community Development and Housing
385 North Arrowhead Ave Third Floor
San Bernardino, CA 92415-0043
Attn: Community Development and Housing Director

NO FEE FOR RECORDING PURSUANT TO
GOVERNMENT CODE SECTIONS 6103 AND 27383

(SPACE ABOVE THIS LINE FOR RECORDER'S USE)

**RELEASE OF NOTICE OF COMPENSATION AGREEMENT
RELATED TO REAL PROPERTY**

(Rosemary and Iris/9911 and 9935 Calabash Ave, 13921-14050 Iris Dr., and 13920-14048
Rosemary Dr.)

This Release of Notice of Compensation Agreement Related to Real Property is made as of [INSERT DATE] (the "Notice"), by the County of San Bernardino, in its capacity as a taxing entity (the "County") and in its capacity as the owner of that certain real located at 9911 and 9935 Calabash Ave, 13921-14050 Iris Dr., and 13920-14048 Rosemary Dr. in the County of San Bernardino, and further described in Exhibit A incorporated herein by reference.

RECITALS

A. The San Bernardino County Successor Agency (the "Successor Agency"), the County of San Bernardino (the "County"), the San Bernardino County Flood Control District, the San Bernardino County Free Library, the San Bernardino County Superintendent of Schools, the Fontana Fire Protection District, the Chaffey Community College District, City of Fontana, Fontana Unified School District, County Service Area (SL-1), Inland Empire Resource Conservation District, and the Inland Empire Utilities Agency (collectively, along with the County, the "Taxing Entities") entered into that certain Compensation Agreement, dated June 14, 2016 (the "Compensation Agreement"), with reference to the Real Property.

B. In connection with the Compensation Agreement, the Owner and the County executed the Notice, which was recorded against the Real Property in the Official Records of the County of San Bernardino as Instrument No. [INSERT RECORDING NUMBER] on [INSERT DATE].

C. The County has determined that the Owner has fulfilled its obligations under the Compensation Agreement and desires to release the Notice from the Owner's interest in the Real Property.

NOW, THEREFORE, in consideration of the foregoing recitals, which are incorporated herein by this reference, and the mutual benefits accruing to the parties hereto and other valuable consideration, the receipt and sufficiency of which consideration is hereby acknowledged, it is hereby declared, understood and agreed as follows:

The County hereby releases the Owner (and its successors) and the Real Property from any and all obligations owed to the County under the Notice.

In granting this Release, the County hereby expressly waives and relinquishes all rights and benefits afforded by California Civil Code Section 1542, as well as any similar law, statute, provision or policy in any other jurisdiction subsequently adopted in the State of California, and the County understands and acknowledges the significance of such specific waiver of California Civil Code Section 1542, which reads as follows:

"A GENERAL RELEASE DOES NOT EXTEND TO CLAIMS WHICH THE CREDITOR DOES NOT KNOW OR SUSPECT TO EXIST IN HIS OR HER FAVOR AT THE TIME OF EXECUTING THE RELEASE, WHICH IF KNOWN BY HIM OR HER, MUST HAVE MATERIALLY AFFECTED HIS OR HER SETTLEMENT WITH THE DEBTOR."

County Initials

This Agreement contains the entire agreement between the parties hereto and supersedes all prior agreements, oral or written, with respect to the subject matter hereof. This Agreement shall not be construed as if it had been prepared by one of the parties, but rather as if both parties had prepared it.

This Agreement shall be binding on and inure to the benefit of the legal representatives, heirs, successors and assigns of the parties.

This Agreement shall be governed by and construed in accordance with the laws of the State of California.

This Agreement may be signed by the different parties hereto in counterparts, each of which shall be deemed an original but all of which together shall constitute one and the same agreement.

[Signatures on following page]

IN WITNESS WHEREOF, the parties have executed this Release as of the day first above written.

COUNTY:

COUNTY OF SAN BERNARDINO, a political subdivision of the State of California

By: _____
Gregory C. Devereaux
Chief Executive Officer

Date: _____

APPROVED AS TO LEGAL FORM:

JEAN-RENE BASLE, County Counsel

By: _____
Michelle Blakemore
Chief Assistant County Counsel

Date: _____

[ALL SIGNATURES MUST BE NOTARIZED]

A notary public or other officer completing this certificate verifies only the identity of the individual who signed the document to which this certificate is attached, and not the truthfulness, accuracy, or validity of that document.

STATE OF CALIFORNIA)
)
COUNTY OF _____)

On _____, before me, _____, Notary Public, personally appeared _____, who proved to me on the basis of satisfactory evidence to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

I certify UNDER PENALTY OF PERJURY under the laws of the State of California that the foregoing paragraph is true and correct.

WITNESS my hand and official seal.

Name: _____
Notary Public

EXHIBIT A

LEGAL DESCRIPTION

The land is situated in the State of California, County of San Bernardino, and is described as follows:

Lots 1, 2, 3, 4, 5, 8, 11, 14, 15, 16, 17, 22, 23, 24, 26, 27, 28, 29, 31, 32, 35, 36, 37, 38, 39, 40, 41, 42, 44, 45, 46, 47, 48, 49, 50, 51, 52, 53, 54, 55, 56, 57, 58, 59, 62, 63 of Tract No. 3138, Janssen's Subdivision, as shown by map on file in Book 42, pages 19 and 20 of Maps, Records of San Bernardino County, State of California.

COMPENSATION AGREEMENT
(Fire Station Property)

This Agreement, dated for reference purposes as of June 14, 2016 is entered into by and among the San Bernardino County Successor Agency (successor in interest to the dissolved San Bernardino County Redevelopment Agency), the County of San Bernardino, the San Bernardino County Flood Control District, the San Bernardino County Free Library, County Service Area SL-1, the San Bernardino County Superintendent of Schools, the City of Fontana, the Fontana Fire Protection District, the Chaffey Community College District, the Etiwanda School District, the Cucamonga Elementary School District, the Chaffey Joint Union High School District, the Inland Empire Resource Conservation District, and the Inland Empire Utilities Agency, on the basis of the following facts, understandings, and intentions of the Parties:

RECITALS

A. These Recitals refer to and utilize certain capitalized terms which are defined in Section 1 of this Agreement. The Parties intend to refer to those definitions in connection with the use thereof in this Agreement.

B. Pursuant to the Redevelopment Dissolution Statutes, and the decision in *Community Redevelopment Association v. Matosantos* (2011) 53 Cal.4th 231, the San Bernardino County Redevelopment Agency (the "Former RDA") was dissolved as of February 1, 2012, and the Successor Agency became responsible for paying the enforceable obligations, disposing of the properties and other assets, and unwinding the affairs of the Former RDA.

C. Accordingly, ownership of the Former RDA's properties that had been acquired to implement the Redevelopment Plan transferred to the Successor Agency for disposition in accordance with the Redevelopment Dissolution Statutes.

D. The Successor Agency received a "finding of completion," pursuant to Health and Safety Code Section 34179.7, from the DOF on December 5, 2013, confirming that the Successor Agency had made specified required payments under the Redevelopment Dissolution Statutes, and entitling the Successor Agency to prepare and submit a Long-Range Property Management Plan to the Oversight Board and the DOF for approval.

E. The Successor Agency initially prepared and obtained Oversight Board approval of its LRPMP (as defined in Section 1.1(eg) below) on June 5, 2014, calling for, among other things, the Former RDA properties to be transferred by the Successor Agency to the County for liquidation, governmental use, and future disposition by the County and development by selected Developers to implement projects identified in the Redevelopment Plan (all as specified in the initial LRPMP).

F. The DOF directed that, in order to obtain DOF approval, the initial LRPMP needed to be amended to provide for preparation and execution of a compensation agreement among the County and the Taxing Entities pursuant to Health and Safety Code Section 34180(f), providing for specified proceeds of the County's subsequent disposition of the Former RDA

properties to be distributed to the Taxing Entities in accordance with their proportional shares of the base property tax revenues.

G. To comply with this DOF directive, the Successor Agency revised the LRPMP through an amendment approved by the Oversight Board and submitted to the DOF in September 2014. The DOF approved the LRPMP by determination letter issued on September 10, 2015.

H. Under the approved LRPMP, the Successor Agency is authorized to transfer that certain 2.36 acre real property located in the County of San Bernardino APN No 0238-031-29-000, and further described in Exhibit A incorporated herein by reference (the "Property") to the County, subject to the terms of this Agreement.

I. As designated in the LRPMP, the County will retain the Property for continued governmental use as allowed under Health and Safety Code Section 34191.5(c)(2).

J. The Parties are entering into this Agreement to comply with the terms of the revised LRPMP.

NOW, THEREFORE, the Parties agree as follows:

Section 1. Definitions. The following definitions shall apply in this Agreement:

(a) "Agreement" means this Compensation Agreement, as this Agreement may be amended from time to time.

(b) "Applicable Shares" has the meaning given in Section 7(a).

(c) "Auditor-Controller" means the San Bernardino County Auditor-Controller, Treasurer, and Tax Collector.

(d) "Close of Escrow" means the date the Property is transferred by a grant deed recorded in the official land records of the County.

(e) "County" means the County of San Bernardino, a political subdivision of the State of California, or its assigns.

(f) "DDA" means the disposition and development agreement between the County and the Developer for the development of the Property for a project in an approved redevelopment plan, if ever the Property is used for anything but a Municipal Use.

(g) "Developer" means the developer to which the County disposes the Property pursuant to a DDA.

(h) "Disposition Proceeds" means, with respect to the Property, any Temporary Rental Income PLUS the gross purchase price and other compensation, if any, actually received by the County from the Developer in consideration for the disposition of the Property pursuant to the DDA pursuant to Section 6(a) or the FMV Retention Value payment made pursuant to Section 6(d) LESS any proceeds of sale that are restricted by virtue of the

source of funds (e.g. grant funds or proceeds of bonds) that were used for the original acquisition or improvement of the Property, and less the sum of the County's actual costs for the following items (but only to the extent paid from County funds and not from funds provided by the Successor Agency, a Developer, or another separate entity), each to be substantiated and documented in reasonable detail in the Disposition Proceeds Statement for the Property:

(1) the County's actual costs, not to exceed an average of One Thousand Dollars (\$1,000) per month, for normal maintenance, management and insurance of the applicable Property from the date the Property is transferred by the Successor Agency to the County pursuant to Section 4 to the date the Property is disposed of by the County to the Developer pursuant to the DDA pursuant to Section 6(a) or to the date the County makes the FMV Retention Value payment pursuant to Section 6(d); plus

(2) the County's actual costs of any capital improvements or repairs to maintain the Property in a safe and lawful condition incurred from the date the Property is transferred by the Successor Agency to the County pursuant to Section 4 to the date the Property is disposed of by the County to the Developer pursuant to the DDA pursuant to Section 6(a) or to the date the County makes the FMV Retention Value payment pursuant to Section 6(d);

(3) the County's actual costs of site preparation, including hazardous materials remediation and pollution legal liability insurance premiums, if any, required to be paid by the County under the DDA for the applicable Property to prepare the Property for disposition but only to the extent the Property is disposed of by the County to the Developer pursuant to the DDA pursuant to Section 6(a); plus

(4) the County's actual costs, to pay third party vendors for appraisal, legal, real estate consultant and marketing, title company, title insurance and to the extent applicable any other costs related to Developer selection, DDA preparation and approval, and closing costs for disposition of the Property but only to the extent the Property is disposed of by the County to the Developer pursuant to the DDA pursuant to Section 6(a); plus

(5) any broker's commissions payable by the County pursuant to the DDA for the Property but only to the extent the Property is disposed of by the County to the Developer pursuant to the DDA pursuant to Section 6(a).

(i) "Disposition Proceeds Receipt Date" means, the date on which the County receives the proceeds from the disposition of the Property to the Developer pursuant to a DDA under Section 6(a) or the date the County makes the FMV Retention Value payment pursuant to Section 6(d).

(j) "Disposition Proceeds Statement" means, the statement prepared by the County and delivered to the Taxing Entities in accordance with Section 6(b) of this Agreement.

(k) "DOF" means the California Department of Finance.

(l) "Effective Date" has the meaning given in Section 2.

(m) "ERAF" means the County Educational Revenue Augmentation Fund.

(n) "Escrow Agent" means Old Republic Title Company, 555 12th Street Suite 2000, Oakland, CA 92108, or such other title company selected by the County.

(o) "Fiscal Year" means the fiscal year of the County in effect from time to time. The current Fiscal Year period of the County commences on July 1 of each calendar year and ends on the following June 30.

(p) "Former RDA" has the meaning set forth in Recital B.

(q) "LRPMP" means the Long-Range Property Management Plan of the Successor Agency as it exists from time to time. As of the date of this Agreement, the LRPMP consists of the revised Long-Range Property Management Plan dated September 15, 2014 as approved by the Oversight Board on June 05, 2014(the "Initial LRPMP"). The DOF approved the LRPMP in the determination letter dated September 10, 2015.

(r) "Municipal Use" means a use by the County of the Property for a governmental purpose as authorized by the LRPMP, including but not limited to use for a fire station or public safety office or some other similar public use.

2(c). "Notice of Compensation Agreement" has the meaning given in Section

(s) "Notice of FMV Payment" has the meaning given in Section 6(d).

(t) "Oversight Board" means the Successor Agency's oversight board established and acting in accordance with the Redevelopment Dissolution Statutes.

(u) "Parties" means all of the parties to this Agreement as set forth in the opening paragraph of this Agreement. "Party" means one of the Parties individually.

(v) "Property" has the meaning set forth in Recital H.

(w) "Redevelopment Dissolution Statutes" means collectively ABx1 26 enacted in June 2011, AB 1484 enacted in June 2012, and SB 107, enacted September 2015, and any future amendments that may apply.

(x) "Redevelopment Plan" means the San Sevaive Redevelopment Plan.

(y) "Successor Agency" means the Successor Agency of the Redevelopment Agency of the County of San Bernardino ".

(aa) "Taxing Entities" means, collectively, the following entities that comprise affected taxing entities for purposes of the Redevelopment Dissolution Statutes: the County of San Bernardino, the San Bernardino County Flood Control District (Flood Control Zone 1 and Flood Control Administrative Zone 1 and Zone 2), County Service Area (SL-1) the San Bernardino County Free Library, the San Bernardino County Superintendent of Schools, the City of Fontana, the Fontana Unified School District, the Fontana Fire Protection District, the Chaffey Community College District, the Cucamonga Elementary School District, the Inland Empire Resource Conservation District, and the Inland Empire Utilities Agency. "Taxing Entities" shall also mean and include ERAF if and to the extent the Auditor-Controller determines that ERAF is

entitled to a distribution of compensation pursuant to Section 7 and the provisions of Health and Safety Code Section 34188. Notwithstanding anything to the contrary herein, ERAF is only considered a Taxing Entity for purposes of distributing funds and for no other purpose, and no additional approval or signature will be required on behalf of ERAF.

(bb) "Temporary Rental Income" means any lease rental income, use fee income or other income, if any, that may be received by the County with respect to the Property minus the documented costs to the County of improvement, operation and maintenance of the Property for the temporary use prior to the transfer of the Property pursuant to the DDA.¹¹

Section 2. Effectiveness of Agreement.

(a) This Agreement shall become effective only upon satisfaction of the following conditions:

(1) Approval of this Agreement by all of the Taxing Entities' governing boards and direction for the Taxing Entities to execute this Agreement;

(2) Approval of this Agreement by the Successor Agency's governing board and direction for the Successor Agency to execute and implement this Agreement pursuant to Health and Safety Code Section 34180(f); and

(3) The signing of this Agreement by authorized representatives of all the Parties.

(b) Promptly following the effectiveness of this Agreement, the County and the Successor Agency shall transmit notice to all the other Parties that the Agreement is effective and specifying the date the Agreement became effective (the "Effective Date").

(c) No later than fourteen (14) business days after the Effective Date, the County shall record in the Official Records of the County of San Bernardino a notice of Compensation Agreement substantially in the form attached hereto as Exhibit D (the "Notice of Compensation Agreement"), incorporated herein by this reference. The County shall mail a copy of the recorded Notice of Compensation Agreement within a reasonable time of receipt of the recorded Notice of Compensation Agreement.

Section 3. Signatories With Respect To Certain Funds.

(a) County Superintendent of Schools. The San Bernardino County Superintendent of Schools (the "Superintendent") administers the following special districts and funds, and in addition to entering into this Agreement for itself, is authorized to, and has entered into and executed this Agreement on behalf of the Superintendent itself and the following:

(1) County Superintendent _____ Fund (BS01-GA01);

(2) County Superintendent _____ Fund (BS01-GA03);

(3) County Superintendent _____ Fund (BS01-GA04); and

(4) County Superintendent _____ Fund (BS01-GA05);

(b) Inland Empire Utilities Agency. The Inland Empire Utilities Agency (the "Utilities Agency") administers the following special funds, and, in addition to entering into this Agreement itself, is authorized to, and has entered into and executed this Agreement on behalf of the Utilities Agency itself and the following:

(1) Utilities Agency Fund _____ (WU08-GA01); and

(2) Utilities Agency Fund _____ (WU08-GA05).

(c) ERAF. ERAF may be entitled to a distribution pursuant to Section 7 of a portion of the Disposition Proceeds from the disposition of each Property. Pursuant to instruction and direction from the DOF and the Auditor-Controller, there is no need for a separate signatory to execute this Agreement on behalf of ERAF because the ultimate beneficiaries of any distribution of Disposition Proceeds to ERAF are themselves Taxing Entities that are signatories to this Agreement.

(d) County District. The County of San Bernardino administers funds for the following special districts and funds, and, in addition to entering into this Agreement for itself, is authorized to, and has entered into this Agreement on behalf of the following:

(1) San Bernardino County Free Library;

(2) County Service Area (SL-1)

(3) Flood Control District;

(4) Flood Control Zone 1; and

(5) Flood Control Administration 1 & 2.

Section 4. Conveyance of Property to County. Promptly following the Effective Date, the Successor Agency shall convey, and the County shall accept, all of the interest in and to the Properties. The Successor Agency shall convey the Properties by deed in a form reasonably acceptable to the Successor Agency and the County. In accordance with Health and Safety Code Sections 34179(h)(1)(D) and (E), and Section 34191.5(f), no further approval of the Oversight Board or the DOF will be necessary to effectuate the transfers contemplated herein, to the extent those transfers are consistent with the approved LRPMP.

Section 5. Retention of Property for Municipal Use.

(a) Upon the transfer of the Property to the County, pursuant to Section 4 above, the County shall retain the Property for a Municipal Use or direct the transfer of ownership of the Property to the appropriate public jurisdiction to effectuate the use of the Property for a Municipal Use.

(b) Under the LRPMP, the Property is required to be used and continuously operated and maintained for a Municipal Use. Neither the County nor any other taxing entity will receive any compensation for the transfer. If ever, the County determines that the site is no longer suitable for a Municipal Use or desires to use the Property for anything but a Municipal Use, the provisions of Section 6 shall apply.

Section 6. Compensation to Taxing Entities Related to Property Transfer.

(a) If and to the extent the Property is no longer used for a Municipal Use, within a time frame determined by the County to yield a financially feasible and marketable development and in accordance with the procedures and requirements set forth herein, the County shall use diligent good faith efforts to select a Developer for the Property, negotiate and obtain approval and execution of the DDA for the Property, and dispose of the Property to the Developer in accordance with the DDA in order to obtain the Disposition Proceeds for distribution through the Escrow Agent to the Taxing Entities pursuant to Section 7 and to enable development of the Property in accordance with the Redevelopment Plan and the LRPMP. As required by Government Code Section 52201, the purchase price payable to the County for the Property under the DDA shall be an amount that is determined to be not less than the Property's fair market value at highest and best use, or the Property's fair reuse value at the use and with the covenants and conditions and development costs authorized by the DDA.

(b) By not later than the date of first published notice of the Board of Supervisors public hearing for the DDA (the "DDA Public Hearing Notice"), the County shall provide each Taxing Entity with a copy of the DDA Public Hearing Notice (including the date, time and location of the public hearing and the location at which the proposed DDA may be inspected and copied), and a statement setting forth the proposed purchase price to be paid to the County under the proposed DDA.

(c) Upon the execution of the DDA for the Property, the County shall transmit a copy of the executed DDA to the other Parties.

(d) Notwithstanding anything to the contrary, any time prior to a Transfer of the Property under a DDA, the County may at its sole and absolute discretion, elect to retain the Property, or any portion thereof, for other than a Municipal Use and to perform development activities funded from the County's own funds under the County's auspices. If the County elects to retain the Property pursuant to this Section 6(d), the County must pay to the Taxing Entities the higher of: (i) the current fair market value of the property retained by the County or (ii) the fair market value, as of the 2011 tax lien date, of the Property or such portion thereof retained by the County (the "FMV Retention Value"). The appraisals required under this section shall be performed by an independent certified Member of Appraisal Institute (MAI) appraiser or other qualified real estate appraiser approved by the Successor Agency's Oversight Board. The appraisal shall be based upon the best available sales prices of comparable properties sold in the market area during the preceding six (6)-month period or such other time period deemed appropriate by the appraiser. The appraisal shall utilize a date of value that is no more than sixty (60) calendar days from the date the County makes the payment under this Section 6(d) (the "FMV Compensation Date"). At least thirty (30) calendar days prior to the Net Proceeds Disposition Date, the County shall provide each Taxing Entity with a copy of the appraisal, and a

statement setting forth the FMV Retention Value to be paid by the County (the "Notice of FMV Payment").

Section 7. Compensation To Taxing Entities Related To Disposition Proceeds.

(a) Distribution of Disposition Proceeds. At the Close of Escrow for the Property, the County shall remit any Temporary Rental Income (if any) and the Developer shall remit the Disposition Proceeds to the Escrow Agent for immediate distribution by the Escrow Agent to the Taxing Entities. No later than five (5) business days after the Disposition Proceeds Receipt Date, the Escrow Agent shall disburse the Disposition Proceeds among the Taxing Entities in proportion to their shares of the base property tax (the "Applicable Shares"), as determined by the Auditor-Controller pursuant to Health and Safety Code Section 34188. The attached Exhibit C shows, for illustrative purposes only, the Applicable Shares of the Taxing Entities that would have applied to a distribution under this Section 7 had the distribution been made on January 1, 2016, as provided by the Auditor-Controller.

(b) Accounting Requirements. At the time of a distribution pursuant to subsection 7(a) above, the County shall provide to the Escrow Agent, the Taxing Entities and the Auditor-Controller a statement prepared in accordance with sound accounting practice that provides the County's calculation of the Disposition Proceeds (the "Disposition Proceeds Statement"). The County shall keep complete, accurate and appropriate books and records of its calculation of the Disposition Proceeds with respect to such distribution. The Auditor-Controller shall have the right, on behalf of the Taxing Entities and upon reasonable written notice to County, to audit and examine such books, records and documents and other relevant items in the possession of the County, but only to the extent necessary for a proper determination of Disposition Proceeds. The Escrow Agent shall have no liability for any distributions made pursuant to this Agreement.

Section 8. Release of Notice of Compensation Agreement. On and after the Close of Escrow and the distribution by the Escrow Agent of any applicable Disposition Proceeds for the Property, the County shall have the authority to release from the Official Records the Notice of Compensation Agreement as an encumbrance against the Property.

Section 9. Term of Agreement; Early Termination.

(a) Term. The term of this Agreement shall commence on the Effective Date and, unless sooner terminated as otherwise provided in this Agreement, shall expire upon the distribution by the Escrow Agent of the Disposition Proceeds owed to the Taxing Entities under this Agreement, if any.

(b) Early Termination. Notwithstanding any other provision of this Agreement or the LRPMP, a Party may terminate this Agreement upon written notice to the other Parties if a court order, legislation, or DOF policy reverses the DOF's directive regarding the need for this Agreement and the payment of compensation by the County pursuant to Health and Safety Code Section 34180(f) (an "Early Termination"). Subject to the satisfaction of such condition, an Early Termination shall become effective five (5) days after the terminating Party delivers the required notice to the other Parties in accordance with Section 10(a). Upon effectiveness of an Early Termination, no Party shall have any further rights or obligations under

this Agreement, and the County may retain the all proceeds from the sale of the Property; provided, however, that the County shall have no right to recover any Disposition Proceeds from any Taxing Entity that were distributed through the Escrow Agent pursuant to Section 7 hereof, prior to the effective date of the Early Termination.

Section 10. Miscellaneous Provisions.

(a) Notices. All notices, statements, or other communications made pursuant to this Agreement to another Party or Parties shall be in writing, and shall be sufficiently given and served upon the Party if sent by (1) United States certified mail, return receipt requested, postage prepaid, or (2) nationally recognized overnight courier, with charges prepaid or charged to sender's account, and addressed to the applicable Party in the manner specified in the attached Exhibit B. Any Party may change its address for notice purposes by written notice to the other Parties prepared and delivered in accordance with the provisions of this Section 10(a).

(b) No Third Party Beneficiaries. No person or entity, other than the Parties and their permitted successors and assigns, shall have any right of action under this Agreement.

(c) Litigation Regarding Agreement. In the event litigation is initiated by a non-Party attacking the validity of this Agreement, each Party that is not a claimant, and does not become a claimant, in such litigation, shall in good faith defend and seek to uphold the Agreement; provided, however, that the costs of such litigation, including reasonable costs incurred by any non-claimant Taxing Entities in such litigation, shall be borne solely by the County and/or the Successor Agency.

(d) State Law; Venue. This Agreement, and the rights and obligations of the Parties hereto, shall be construed and enforced in accordance with the laws of the State of California. Any action to enforce or interpret this Agreement shall be filed and heard in the Superior Court of San Bernardino County, California or in the Federal District Court for the Central District of California.

(e) Attorneys' Fees. In any action which a Party brings to enforce its rights hereunder, the unsuccessful Party or Parties shall pay all costs incurred by the prevailing party, including reasonable attorneys' fees.

(f) Entire Agreement; Amendment. This Agreement constitutes the entire and integrated agreement of the Parties and supersedes all prior negotiations, representations, or agreements, either written or oral, relating to the subject matter of this Agreement. This Agreement may be modified only in writing and only if approved and signed by all of the Parties.

(g) Counterparts. This Agreement may be executed in counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same agreement. The signature page of any counterpart may be detached therefrom without impairing the legal effect of the signature(s) thereon, provided such signature page is attached to any other counterpart identical thereto having additional signature pages executed by the other Parties. Any executed counterpart of this Agreement may be delivered to the other Parties by facsimile and shall be deemed as binding as if an originally signed counterpart was delivered.

(h) Non-Waiver. No waiver of a breach, failure of any condition, or any right or remedy contained in or granted by the provisions of this Agreement will be effective unless it is in writing and signed by the waiving Parties.

(i) No Partnership. Nothing contained in this Agreement shall be construed to constitute any Party as a partner, employee, joint venturer, or agent of any other Party.

(j) Ambiguities. Any rule of construction to the effect that ambiguities are to be resolved against the drafting party does not apply in interpreting this Agreement.

(k) Exhibits. The following exhibits are incorporated in this Agreement by reference:

- Exhibit A: Property Legal Description
- Exhibit B: List of Addresses for Notice Purposes
- Exhibit C: Illustrative Taxing Entities Applicable Shares of Property Taxes
- Exhibit D: Notice of Compensation Agreement

(l) Severability. If any term, provision, or condition of this Agreement is held by a court of competent jurisdiction to be invalid or unenforceable, the remainder of this Agreement shall continue in full force and effect unless an essential purpose of this Agreement is defeated by such invalidity or unenforceability.

(m) Action or Approval. Whenever action and/or approval by the County is required under this Agreement, the Chief Executive Officer or the Chief Executive Officer's designee may act on and/or approve such matter unless specifically provided otherwise, or unless the Chief Executive Officer determines in the Chief Executive Officer's discretion that such action or approval requires referral to the Board of Supervisors for consideration. Whenever action and/or approval by the Successor Agency is required under this Agreement, the Successor Agency Executive Director or the Successor Agency Executive Director's designee may act on and/or approve such matter unless specifically provided otherwise, or unless the Successor Agency Executive Director determines in the Successor Agency Executive Director's discretion that such action or approval requires referral to the Successor Agency Board for consideration.

[SIGNATURE PAGES FOLLOW]

IN WITNESS WHEREOF, the Parties hereto have executed this Agreement as of the dates set forth in the opening paragraph of this Agreement.

SAN BERNARDINO COUNTY SUCCESSOR
AGENCY, a separate legal entity pursuant to Health
& Safety Code Section 34174

COUNTY OF SAN BERNARDINO, a subdivision
of the State of California

By: _____
James Ramos, Chairman,
Successor Agency Governing Board

Date: _____

SIGNED AND CERTIFIED THAT A
COPY OF THIS DOCUMENT HAS
BEEN DELIVERED TO THE CHAIRMAN
OF THE SUCCESSOR AGENCY
GOVERNING BOARD

Laura H. Welch
Clerk of the Board of Supervisors of the
County of San Bernardino

By: _____
Deputy

APPROVED AS TO LEGAL FORM:

Michelle D. Blakemore
Chief Assistant County Counsel

The undersigned authorized signatory hereby executes this Agreement on behalf of each of the following entities and funds:

County of San Bernardino General Fund
San Bernardino County Free Library
County Service Area (SL-1)
Flood Control District;
Flood Control Zone 1; and
Flood Control Administration 1 and 2

COUNTY OF SAN BERNARDINO, a subdivision
of the State of California

By: _____
James Ramos, Chairman,
County Board of Supervisors

Date: _____

SIGNED AND CERTIFIED THAT A
COPY OF THIS DOCUMENT HAS
BEEN DELIVERED TO THE CHAIRMAN
OF THE SUCCESSOR AGENCY
GOVERNING BOARD

Laura H. Welch
Clerk of the Board of Supervisors of the
County of San Bernardino

By: _____
Deputy

APPROVED AS TO LEGAL FORM:

Michelle D. Blakemore
Chief Assistant County Counsel

The undersigned authorized signatory hereby executes this Agreement on behalf of each of the following entities and funds:

San Bernardino County Superintendent of Schools
County Superintendent _____ Fund (BS01-GA01)
County Superintendent _____ Fund (BS01-GA03)
County Superintendent _____ Fund (BS01-GA04)
County Superintendent _____ Fund (BS01-GA05)

**SAN BERNARDINO COUNTY
SUPERINTENDENT OF SCHOOLS**

By: _____
Name: _____
Its: _____
Date: _____

APPROVED AS TO LEGAL FORM:

The undersigned authorized signatory hereby executes this Agreement:

FONTANA FIRE PROTECTION DISTRICT

By: _____

Name: _____

Its: _____

Date: _____

APPROVED AS TO LEGAL FORM:

The undersigned authorized signatory hereby executes this Agreement:

CHAFFEY JOINT UNION HIGH SCHOOL
DISTRICT

By: _____

Name: _____

Its: _____

Date: _____

APPROVED AS TO LEGAL FORM:

The undersigned authorized signatory hereby executes this Agreement.

**ETIWANDA ELEMENTARY
SCHOOL DISTRICT**

By: _____

Name: _____

Its: _____

Dated: _____

APPROVED AS TO LEGAL FORM:

The undersigned authorized signatory hereby executes this Agreement.

CITY OF FONTANA

By: _____

Name: _____

Its: _____

Dated: _____

APPROVED AS TO LEGAL FORM:

The undersigned authorized signatory hereby executes this Agreement:

CHAFFEY COMMUNITY COLLEGE DISTRICT

By: _____

Name: _____

Its: _____

Date: _____

APPROVED AS TO LEGAL FORM:

The undersigned authorized signatory hereby executes this Agreement:

CUCAMONGA ELEMENTARY SCHOOL
DISTRICT

By: _____

Name: _____

Its: _____

Date: _____

APPROVED AS TO LEGAL FORM:

The undersigned authorized signatory hereby executes this Agreement:

**INLAND EMPIRE RESOURCE
CONSERVATION DISTRICT**

By: _____

Name: _____

Its: _____

Date: _____

APPROVED AS TO LEGAL FORM:

The undersigned authorized signatory hereby executes this Agreement on behalf of each of the following entities and funds:

Inland Empire Utilities Agency
Utilities Agency Fund _____(WU08-GA01)
Utilities Agency Fund _____(WU08-GA05)

INLAND EMPIRE UTILITIES AGENCY

By: _____

Name: _____

Its: _____

Date: _____

APPROVED AS TO LEGAL FORM:

EXHIBIT A

PROPERTY LEGAL DESCRIPTION

All that certain real property situated in the County of San Bernardino, State of California, described as follows:

Parcel 1 of Parcel Map No. 1564. in the County of San Bernardino, State of California, as per map recorded in Book 207, pages 26 through 30, inclusive, of Parcel Maps, in the office of the County Recorder of said County.

EXHIBIT B

LIST OF ADDRESSES FOR NOTICE PURPOSES

County of San Bernardino Successor Agency 385 North Arrowhead Avenue, 5th Floor, #0120 San Bernardino, CA 92415-0120 Attn: Greg Devereaux, Chief Executive Officer	County of San Bernardino 222 West Hospitality Lane, 2nd Floor, #0018 San Bernardino, CA 92415-0018 Attn: Linda Santillano, Property Tax Manager
San Bernardino County Flood Control District 385 N. Arrowhead Ave., 5 th Floor San Bernardino, CA 92415 Attn: Greg Devereaux, Chief Executive Officer	San Bernardino County Free Library District 385 N. Arrowhead Ave., 5 th Floor San Bernardino, CA 92415 Attn: Greg Devereaux, Chief Executive Officer
San Bernardino County Superintendent of Schools 601 N. E Street San Bernardino, CA 92415-0020 Attn: Ted Alejandre, Superintendent	Fontana Fire Protection District 8353 Sierra Avenue Fontana, CA 92335-3528 Attn: Ken Hunt, City Manager
Chaffey Community College District 5885 Haven Avenue Rancho Cucamonga, CA 91737 Attn: Kim Erickson, Executive Director	Fontana Unified School District 9680 Citrus Avenue Fontana, CA 92335 Attn: Leslie Boozer, Superintendent
County Service Area (SL-1) c/o Special Districts Department 157 West Fifth Street, 2nd Floor, #0450 San Bernardino, CA 92415 Attn: Jeffrey O. Rigney, Director	Inland Empire Resource Conservation District 25864-K Business Center Drive Redlands, CA 92374 Attn: Mandy Parkes, District Manager
Inland Empire Utilities Agency 6075 Kimball Avenue Chino Hills, CA 91709 Attn: Christina Valencia, Chief Financial Officer	City of Fontana 8353 Sierra Avenue Fontana, CA 92335-3528 Attn: Ken Hunt, City Manager
Cucamonga Elementary School District 8776 Archibald Avenue Rancho Cucamonga, CA 91730	Etiwanda School District 6061 East Avenue Etiwanda, CA 91739
Chaffey Joint Union High School 211 West Fifth Street, Ontario, CA 91762	

EXHIBIT C

ILLUSTRATIVE TAXING ENTITIES
APPLICABLE SHARES OF PROPERTY TAXES

The attached is for administrative purposes only; the Applicable Shares of the Taxing Entities will be determined by the County Auditor-Controller. Below are the Applicable Shares of the Taxing Entities that would have applied to a distribution under Section 6 of the Compensation Agreement, had such distribution been made on January 1, 2016.

<u>TAXING ENTITY/FUND</u>	<u>PROPERTY TAX SHARE</u>
County of San Bernardino - General Fund	16.89%
ERAF	21.73%
San Bernardino County Flood Control	2.70%
San Bernardino County Free Library	1.39%
San Bernardino County Superintendent of Schools	0.91%
City of Fontana	0.05%
Fontana Fire Protection District	18.12%
Cucamonga Elementary School District	4.24%
Etiwanda Elementary School District	2.44%
Chaffey Joint Union High School District	5.76%
Chaffey Community College	4.15%
Fontana Unified School District	16.52%
County Service Area (SL-1)	0.40%
Inland Empire Joint Resource Conservation District	0.19%
Inland Empire Utilities Agency	4.51%
TOTAL	100%

EXHIBIT D

NOTICE OF COMPENSATION AGREEMENT

RECORDING REQUESTED BY AND WHEN RECORDED MAIL TO:

County of San Bernardino
Department of Community Development and Housing
385 North Arrowhead Ave Third Floor
San Bernardino, CA 92415-0043
Attn: Community Development and Housing Director

NO FEE FOR RECORDING PURSUANT TO
GOVERNMENT CODE SECTIONS 6103 AND 27383

(SPACE ABOVE THIS LINE FOR RECORDER'S USE)

**NOTICE OF COMPENSATION AGREEMENT
RELATED TO REAL PROPERTY
(Fire Station Site/San Bernardino Avenue)**

NOTICE IS HEREBY GIVEN, that the San Bernardino County Successor Agency (the "Successor Agency"), the County of San Bernardino (the "County"), the San Bernardino County Flood Control District, the San Bernardino County Free Library, the San Bernardino County Superintendent of Schools, City of Fontana, the Fontana Fire Protection District, the Chaffey Community College District, Fontana Unified School District, County Service Area (SL-1), Cucamonga School District, Etiwanda School District, Inland Empire Resource Conservation District, and the Inland Empire Utilities Agency (collectively, along with the County, the "Taxing Entities") entered into that certain Compensation Agreement, dated June 14, 2016 (the "Compensation Agreement"), with reference to that certain real property located in the County of San Bernardino located on San Bernardino Avenue, and further described in Exhibit A incorporated herein by reference (the "Property").

The Successor Agency is the successor in interest to the dissolved San Bernardino County Redevelopment Agency (the "Former RDA"). Upon the Former RDA's dissolution title to the Property transferred to the Successor Agency. As authorized under the "Redevelopment Dissolution Statutes (Part 1.8 and 1.85 of Division 24 of the Health and Safety Code), the Successor Agency has prepared, and the California Department of Finance has approved, a Long Range Property Management Plan ("LRPMP").

Under the approved LRPMP, the Successor Agency is authorized to transfer the Property to the County, subject to the terms of the Compensation Agreement. Substantially concurrently herewith, in conformance with the terms of the LRPMP, the Successor Agency is transferring title to the Property to the County (in its capacity as owner of the Property, the County shall be

referred to as the "Owner"). As designated in the LRPMP, the County will retain the Property for [a governmental purpose as allowed under Health and Safety Code Section 34181 OR to future development for a project in approved redevelopment plan as allowed under Health and Safety Code Section 34191.5(c)(2)].

Among other requirements, the LRPMP requires the County to execute the Compensation Agreement with the Taxing Entities providing for a contingent payment of Disposition Proceeds (as defined in the Compensation Agreement) upon the Owner's subsequent disposition of the Property, under specified conditions.

The Compensation Agreement includes certain obligations related to the Property, including without limitation and as further described in the Compensation Agreement:

1. A requirement for the Owner to provide the Taxing Entities with notice of the DDA Public Hearing Notice pursuant to Section 5(a) or the Notice of FMV Payment pursuant to Section 5(b), which notices shall include the information required under the Compensation Agreement.

2. A requirement that the Owner provide the Taxing Entities and the County Auditor-Controller a Disposition Proceeds Statement including the information required under Section 6 of the Compensation Agreement.

3. A requirement for the Owner remit the Disposition Proceeds to the County-Auditor Controller for distribution to the Taxing Entities in proportion to their Applicable Shares base property tax as determined by the County's Auditor-Controller pursuant to Health and Safety Code Section 34188 and the Compensation Agreement.

A complete copy of the Compensation Agreement is maintained in the Office of the Clerk of the Board of Supervisors, and is available to review at 385 N. Arrowhead Avenue, Second Floor, San Bernardino, CA between 9 a.m. and 5 p.m.

In the event of any conflict between this Notice of Compensation Agreement Related to Property (the "Notice") and the Compensation Agreement, the terms of the Compensation Agreement shall prevail.

This Notice may only be amended or terminated with the written agreement of the Owner and the County.

Upon the earlier of satisfaction of the requirements of the Compensation Agreement as outlined in Section 6(c) of the Compensation Agreement, or earlier termination of the Compensation Agreement pursuant to Section 7 of the Compensation Agreement, the County shall release this Notice (the "Release"), by the execution and recordation of a release in substantially the form attached hereto as Exhibit B, incorporated herein by reference.

This Notice is being recorded and filed by the Owner of the Property, and shall be indexed against the Owner's interest in the Property and the County.

[Remainder of Page Left Intentionally Blank.]

IN WITNESS WHEREOF, the Owner and the County have entered into this Notice as of the first date written above.

COUNTY:

**COUNTY OF SAN BERNARDINO, a political
subdivision of the State of California**

By: _____
Gregory C. Devereaux
Chief Executive Officer

Date: _____

APPROVED AS TO LEGAL FORM:

JEAN-RENE BASLE, County Counsel

By: _____
Michelle Blakemore
Chief Assistant County Counsel

Date: _____

COUNTY:

**COUNTY OF SAN BERNARDINO, a political
subdivision of the State of California**

By: _____

APPROVED AS TO LEGAL FORM:

By: _____

Date: _____

[ALL SIGNATURES MUST BE NOTARIZED]

A notary public or other officer completing this certificate verifies only the identity of the individual who signed the document to which this certificate is attached, and not the truthfulness, accuracy, or validity of that document.

STATE OF CALIFORNIA)
)
COUNTY OF _____)

On _____, before me, _____, Notary Public, personally appeared _____, who proved to me on the basis of satisfactory evidence to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

I certify UNDER PENALTY OF PERJURY under the laws of the State of California that the foregoing paragraph is true and correct.

WITNESS my hand and official seal.

Name: _____
Notary Public

EXHIBIT A

LEGAL DESCRIPTION

The land is situated in the State of California, County of San Bernardino, and is described as follows:

All that certain real property situated in the County of San Bernardino, State of California, described as follows:

Parcel 1 of Parcel Map No. 1564. in the County of San Bernardino, State of California, as per map recorded in Book 207, pages 26 through 30, inclusive, of Parcel Maps, in the office of the County Recorder of said County

**RECORDING REQUESTED BY
AND WHEN RECORDED MAIL TO:**

County of San Bernardino
Department of Community Development and Housing
385 North Arrowhead Ave Third Floor
San Bernardino, CA 92415-0043
Attn: Community Development and Housing Director

NO FEE FOR RECORDING PURSUANT TO
GOVERNMENT CODE SECTIONS 6103 AND 27383

(SPACE ABOVE THIS LINE FOR RECORDER'S USE)

**RELEASE OF NOTICE OF COMPENSATION AGREEMENT
RELATED TO REAL PROPERTY
(Fire Station Site/San Bernardino Avenue)**

This Release of Notice of Compensation Agreement Related to Real Property is made as of [INSERT DATE] (the "Notice"), by the County of San Bernardino, in its capacity as a taxing entity (the "County") and in its capacity as the owner of that certain real located at San Bernardino Avenue, in the County of San Bernardino, and further described in Exhibit A incorporated herein by reference.

RECITALS

A. The San Bernardino County Successor Agency (the "Successor Agency"), the County of San Bernardino (the "County"), the San Bernardino County Flood Control District, the San Bernardino County Free Library, the San Bernardino County Superintendent of Schools, the Fontana Fire Protection District, the City of Fontana, the Cucamonga Elementary School District, the Etiwanda Elementary School District, the Chaffey Community College District, the Chaffey Joint Union High School District, Fontana Unified School District, County Service Area (SL-1), Inland Empire Resource Conservation District, and the Inland Empire Utilities Agency (collectively, along with the County, the "Taxing Entities") entered into that certain Compensation Agreement, dated June 14, 2016 (the "Compensation Agreement"), with reference to the Real Property.

B. In connection with the Compensation Agreement, the Owner and the County executed the Notice, which was recorded against the Real Property in the Official Records of the County of San Bernardino as Instrument No. [INSERT RECORDING NUMBER] on [INSERT DATE].

C. The County has determined that the Owner has fulfilled its obligations under the Compensation Agreement and desires to release the Notice from the Owner's interest in the Real Property.

NOW, THEREFORE, in consideration of the foregoing recitals, which are incorporated herein by this reference, and the mutual benefits accruing to the parties hereto and other valuable consideration, the receipt and sufficiency of which consideration is hereby acknowledged, it is hereby declared, understood and agreed as follows:

The County hereby releases the Owner (and its successors) and the Real Property from any and all obligations owed to the County under the Notice.

In granting this Release, the County hereby expressly waives and relinquishes all rights and benefits afforded by California Civil Code Section 1542, as well as any similar law, statute, provision or policy in any other jurisdiction subsequently adopted in the State of California, and the County understands and acknowledges the significance of such specific waiver of California Civil Code Section 1542, which reads as follows:

"A GENERAL RELEASE DOES NOT EXTEND TO CLAIMS WHICH THE CREDITOR DOES NOT KNOW OR SUSPECT TO EXIST IN HIS OR HER FAVOR AT THE TIME OF EXECUTING THE RELEASE, WHICH IF KNOWN BY HIM OR HER, MUST HAVE MATERIALLY AFFECTED HIS OR HER SETTLEMENT WITH THE DEBTOR."

County Initials

This Agreement contains the entire agreement between the parties hereto and supersedes all prior agreements, oral or written, with respect to the subject matter hereof. This Agreement shall not be construed as if it had been prepared by one of the parties, but rather as if both parties had prepared it.

This Agreement shall be binding on and inure to the benefit of the legal representatives, heirs, successors and assigns of the parties.

This Agreement shall be governed by and construed in accordance with the laws of the State of California.

This Agreement may be signed by the different parties hereto in counterparts, each of which shall be deemed an original but all of which together shall constitute one and the same agreement.

[Signatures on following page]

IN WITNESS WHEREOF, the parties have executed this Release as of the day first above written.

COUNTY:

COUTY OF SAN BERNARDINO, a political subdivision of the State of California

By: _____
Gregory C. Devereaux
Chief Executive Officer

Date: _____

APPROVED AS TO LEGAL FORM:

JEAN-RENE BASLE, County Counsel

By: _____
Michelle Blakemore
Chief Assistant County Counsel

Date: _____

[ALL SIGNATURES MUST BE NOTARIZED]

A notary public or other officer completing this certificate verifies only the identity of the individual who signed the document to which this certificate is attached, and not the truthfulness, accuracy, or validity of that document.

STATE OF CALIFORNIA)
)
COUNTY OF _____)

On _____, before me, _____, Notary Public, personally appeared _____, who proved to me on the basis of satisfactory evidence to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

I certify UNDER PENALTY OF PERJURY under the laws of the State of California that the foregoing paragraph is true and correct.

WITNESS my hand and official seal.

Name: _____
Notary Public

EXHIBIT A

LEGAL DESCRIPTION

The land is situated in the State of California, County of San Bernardino, and is described as follows:

All that certain real property situated in the County of San Bernardino, State of California, described as follows:

Parcel 1 of Parcel Map No. 1564. in the County of San Bernardino, State of California, as per map recorded in Book 207, pages 26 through 30, inclusive, of Parcel Maps, in the office of the County Recorder of said County

Successor Agency to the San Bernardino County Redevelopment Agency
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Properties to be Transferred for Government Use

The property listed below is proposed to be transferred to the County of San Bernardino pursuant to Section 34181 (a) that allows properties of a former redevelopment agency to be transferred to a public jurisdiction.

FIRE STATION PROPERTY

Property Worksheet Parcel 1

Address: N/A San Bernardino Ave.
Lot Size: 2.36 acres
Property Type: Vacant Lot/Land
Current Zoning: KC-SP, Kaiser Commerce Center Specific Plan

The property is located on the south side of San Bernardino Avenue, just east of Commerce Drive, and part of the Kaiser Commerce Center Specific Plan, an area once part of the massive Kaiser steel production campus. This property was donated by the Catellus Commercial Group to the Former RDA (see Attachment 2) for the purposes of building a new fire station and county safety office to serve local area residents.

The Successor Agency proposes to transfer this property as a government use pursuant to Section 34181 (a), as it was designated for a fire station and public safety office. Furthermore, neither tax increment nor bond proceeds secured by tax increment were used to acquire the site, as it was donated. As a government use site, the property has a market value of \$0.



Properties to be Retained for Development

The properties described in this section are to be retained for development, as allowed by Health and Safety Code Section 34191.5(c)(2)(A)(i) and (ii). A description of the properties, including aerial maps and photographs of each property, are presented in this section.

IRIS & ROSEMARY PROPERTY

Property Worksheet Parcels 2-49

Address: 9911 and 9935 Calabash Ave., 13921 – 14050 Iris Dr., & 13920 – 14048 Rosemary Dr.
Lot Size: 9.14 acres total
Property Type: Vacant Lot/Land
Current Zoning: IC, Community Industrial

The Iris and Rosemary neighborhood is a single family residential pocket located between San Bernardino Avenue and Valley Boulevard, surrounded by industrial uses. The Former RDA began purchasing these properties as part of a Voluntary Purchase Program initiated after a community meeting in which residents expressed a desire to sell their homes due to the surrounding heavy industrial uses.

The program, described in the Former RDA's San Sevine Area 2010-2015 Five year Implementation Plan (Attachment 3) was to be completed by 2015, but was cut short by dissolution. All of the 48 properties owned by the Former RDA have been cleared. However, there are 16 properties that remain privately owned with residential improvements. The "checkerboard" ownership of property will significantly reduce sale and redevelopment opportunities without assistance.

As the entire neighborhood is not under control of the Successor Agency, and therefore cannot be sold in entirety for industrial development, its fate is tenuous. A buyer could potentially be enticed to purchase these properties with the hope of consolidating them with the remaining privately held properties over time, but this uncertainty would significantly reduce the value of the property in an area where there are other available sites of similar size. The market value for industrial land is much different than that of a single family home, not only in cost, but in



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sentiment as well. A homeowner is unlikely to sell his property willingly unless a suitable replacement can be purchased. That is to say that while a single family home surrounded by industrial uses may not appear to have a high market value due to the “undesirable” location, it is nevertheless someone’s home, the replacement of which would be key to any purchase and sale agreement. Therefore, it is not the industrial reuse value of the remaining homes that needs to be considered in the equation, but the market value of a replacement home, and potentially other financial concessions such as moving and related relocation costs.

In order to determine market value of the entire site, assuming assembly of all privately held single family residences as well as the Successor Agency’s properties, a comparative land sales analysis was performed for industrial uses, and the median value of single family homes in neighboring Fontana was assembled. Industrial land comparative sales (Table 1) put the Successor Agency-owned property at about \$90,300 per parcel (\$10.91 per square foot), and the median home price for a replacement single family dwelling in the surrounding City of Fontana at \$285,000³ and trending upwards. For purposes of this analysis, the replacement cost is placed at \$325,000 to account for increasing sales prices and an incentive for homeowners such as covered moving costs or other financial benefits.

Comparative Industrial Land Sales - Iris & Rosemary Property

Figure 1

Site	Sales Date	Total Sale Price	Land Type	Acres	\$/SF
11251 Hemlock Ave, Fontana	9/20/2013	\$ 12,653,608	Ind. Land	21.05	\$ 13.80
11100 Hemlock Ave, Fontana	10/8/2013	\$ 9,074,000	Ind. Land	16.02	\$ 13.00
Almond Ave, Fontana	6/23/2014	\$ 4,368,000	Ind. Land	9.55	\$ 10.50
10411 Live Oak Ave, Fontana	7/3/2014	\$ 1,650,000	Ind. Land	3.02	\$ 12.54
11191 Catawba Ave, Fontana	1/17/2014	\$ 1,500,000	Ind. Land	2.4	\$ 14.35
15594 Valley Blvd, Fontana	8/9/2013	\$ 725,000	Ind. Land	2.49	\$ 6.68
10612 Redwood Ave, Fontana	12/17/2013	\$ 700,000	Ind. Land	1.6	\$ 10.04
15566 Valley Blvd, Fontana	10/18/2013	\$ 450,000	Ind. Land	1.03	\$ 10.03
14356 Whittram Ave, Fontana	8/5/2013	\$ 411,000	Ind. Land	0.79	\$ 11.94
14780-14788 Boyle Ave, Fontana	11/20/2013	\$ 350,000	Ind. Land	1.3	\$ 6.18
Average Price/Square Foot Industrial Land Uses					\$ 10.91
Resulting Average Property Value @ 8,276 SF					\$ 90,262.42
Potential Cumulative Value In Total @ 398,138 SF					\$ 4,342,097.39

Source: CoStar

Figure 2 utilizes the market rate of industrial land and replacement housing costs to derive a net market rate for the Successor Agency-owned parcels that must essentially be written down to accommodate the comparatively expensive assembly of the remaining single family homes. More specifically, Figure 2a shows the basic assumptions of how the Successor Agency parcels will ultimately derive their value net of costs required to assemble the other properties. Figure 2b provides a further and more detailed breakdown of the data.

³ Data Quick News, July 2014; Trulia, August 2014.

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Net Estimated Market Value - Iris & Rosemary Property

Figure 2a

Market Value Entire Site for Industrial Use	\$6,890,974
Replacement Value of Remaining Homes	<u>-\$5,200,000</u>
Net Value of Agency Property	\$1,690,974
Net Value per Parcel (48 Agency Owned Parcels)	\$35,229

Net Estimated Market Value - Additional Detail

Figure 2b

	<u>SF</u>	<u>Cost Per SF</u>	<u>Total</u>	<u>Line</u>	<u>Calculation</u>
Cost at Market Industrial Land Cost ¹	631,620	\$10.91	\$6,890,974	(a)	
Successor Agency Owned Land for Assembly	398,138	\$10.91	\$4,342,097	(b)	
	<u>Parcels</u>	<u>Cost Per Parcel</u>	<u>Total</u>		
Privately Held SFR for Assembly ²	16	\$325,000.00	\$5,200,000	(c)	
Estimated Assembly Cost (SA Property + Private SFR)			\$9,542,097	(d)	(b+c)
Total Above Market Cost of Assembly			-\$2,651,123	(e)	(a-d)
Average Estimated "Write Down" of 48 Agency Parcels (Each)			-\$55,232	(f)	(e/48)
Resulting Value Per Agency Parcel			\$35,229	(g)	((b/48))-f)

¹ See Figure 1, CoStar for SF value. Total acres includes the residential cul-de-sacs that would be abandoned by County as part of assembly.

² Data Quick News, Trulla

As shown, the achievable market value for the Successor Agency-owned parcels is approximately \$35,000, below market due to the likely assembly costs of the remaining privately held homes. Therefore, the Successor Agency proposes to retain this property for development, given the substantive land assembly challenges facing the area. This project was identified in the Former RDA's San Sevaine Area 2010-2015 Five year Implementation Plan, and pursuant to Health and Safety Code Section 34191.5(c)(2)(A)(i) and (ii), these parcels may transfer to the County for development.

The Successor Agency interprets Health and Safety Code Section 34191.5 to mean that agreements with taxing entities pursuant to Health and Safety Code Section 34180(f) are not required in connection with the disposition of the Successor Agency's Properties to the County under authority of Health and Safety Code Section 34191.5(c)(2)(A) for use or further disposition by the County for projects identified in the Approved Redevelopment Plans or for any public use parcels under Health and Safety Code Section 34191.5(c)(2).

However, pursuant to DOF direction, the County and the Successor Agency will enter into a compensation agreement pursuant to Health and Safety Code Section 34180(f) (the "Compensation Agreement") with the affected taxing entities (the "Taxing Entities") specifying that the Net Proceeds (as further defined and described below) of (1) the County's use of the

Successor Agency to the San Bernardino County Redevelopment Agency
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Properties and (2) any further disposition by the County to third parties of the Properties will be remitted to the County Auditor-Controller for distribution to all of the Taxing Entities on a pro-rata basis in proportion to each Taxing Entity's respective share of the property tax base. Transfer of the Properties by the Successor Agency to the County in accordance with this LRPMP is conditioned upon future execution of a Compensation Agreement by the County, the Successor Agency and the Taxing Entities.

As will be further set forth in the Compensation Agreement, the Net Proceeds to be remitted by the County for distribution to the Taxing Entities will consist generally of the following:

- So long as a Property is retained in the ownership of the County, the Net Proceeds will consist of the lease rental income, use fee income or other income, if any, that may be received by the County with respect to the Property minus the documented costs to the County of improvement, operation and maintenance of the Property.
- Upon disposition of a Property by the County to private development entity, the Net Proceeds will consist of the sale proceeds, if any, received by the County with respect to the Property minus the documented costs to the County of the improvement, operation, maintenance and disposition of the Property.

Notwithstanding the foregoing or any other provision of this Revised PMP, no Compensation Agreement will be required, and the County may retain any proceeds from the use or disposition of the Properties, if a court order, legislation or DOF policy reverses the DOF's directive regarding the need for a Compensation Agreement (a "Reversal"). In the event of a Reversal that occurs prior to the full execution of the Compensation Agreement, the Properties will be transferred to the County without the condition of or need for such full execution. If a Reversal occurs after the full execution of the Compensation Agreement, the Compensation Agreement will provide that it can be terminated by any party. Upon such termination, any Net Proceeds received by the County after such termination, may be retained by the County and are directed pursuant to this Revised PMP to be used by the County to pay costs of one or more projects identified in the Approved Redevelopment Plans.

SPEEDWAY PROPERTY

Property Worksheet Parcels 50 - 61

Address: 14544 – 14636 Randall Ave. & 9235 – 9295 Cherry Ave.⁴
Lot Size: 14.33 acres total
Property Type: Vacant Lot/Land
Current Zoning: SD-COM, Special Development with commercial focus

The “Speedway Property” is the largest of the Former RDA’s properties at 14.3 acres, and located directly east of the Auto Club Speedway. The Former RDA acquired the twelve (12) parcels between 2008 and 2012 as part of a strategic acquisition program to facilitate development opportunities, particularly for retail uses that might complement the speedway and the tourists it attracts. The acquisition of properties to facilitate commercial development and economic growth is documented in the San Sevaire Area 2010-2015 Five year Implementation Plan (Attachment 3).



Though it once had some developed buildings, the property is now vacant. The property does not have a sewer connection, thus a future owner need to make this improvement in order to develop the property to a highest and best use capacity. Additionally, limited contamination issues were identified by an environmental site assessment, related to use of a septic system on the property at an earlier date.



The current zoning designation allows development of offices, parks, and parking lots by right, and a wide variety of other commercial uses through a minor use or conditional use permit. As such, both commercial and industrial comparative land sales were researched for the Speedway Property as shown in Figure 3, resulting in an estimated property value of between \$3.4 and \$5.1 million, depending on the use, and incorporating a reduction in value due to the lack of infrastructure required to serve any future project. Please note that the necessary sewer improvements will vary by user, and therefore cannot be more than roughly estimated at this time.

⁴ Note the mailing address for all San Sevaire sites is for neighboring city, Fontana, though the property is unincorporated San Bernardino County.

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 Long Range Property Management Plan

Comparative Sales - Speedway Property						Figure 3
Site	Sales Date	Total Sale Price	Land Type	Acres		\$/SF
11251 Hemlock Ave, Fontana	9/20/2013	\$ 12,653,608	Ind. Land	21.05	\$	13.80
11100 Hemlock Ave, Fontana	10/8/2013	\$ 9,074,000	Ind. Land	16.02	\$	13.00
Almond Ave, Fontana	6/23/2014	\$ 4,368,000	Ind. Land	9.55	\$	10.50
10411 Live Oak Ave, Fontana	7/3/2014	\$ 1,650,000	Ind. Land	3.02	\$	12.54
11191 Catawba Ave, Fontana	1/17/2014	\$ 1,500,000	Ind. Land	2.4	\$	14.35
15594 Valley Blvd, Fontana	8/9/2013	\$ 725,000	Ind. Land	2.49	\$	6.68
10612 Redwood Ave, Fontana	12/17/2013	\$ 700,000	Ind. Land	1.6	\$	10.04
15566 Valley Blvd, Fontana	10/18/2013	\$ 450,000	Ind. Land	1.03	\$	10.03
14356 Whittram Ave, Fontana	8/5/2013	\$ 411,000	Ind. Land	0.79	\$	11.94
14780-14788 Boyle Ave, Fontana	11/20/2013	\$ 350,000	Ind. Land	1.3	\$	6.18
<u>Average Price/Square Foot Industrial Uses</u>						\$ 10.91
Resulting Speedway Property Value @ 624,215 SF						\$ 6,807,687
Less 25% Discount for Wastewater Management						\$ 5,105,765
16482 Valley Blvd, Fontana	8/15/2013	\$ 2,300,000	Comm Land	4.2	\$	12.57
15876 Foothill Blvd, Fontana	8/15/2013	\$ 1,400,000	Comm Land	5.5	\$	5.84
8026 Hemlock Ave, Fontana	1/31/2013	\$ 1,130,000	Comm Land	4.6	\$	5.70
Pedley Rd, Riverside	1/16/2013	\$ 1,040,000	Comm Land	12.6	\$	1.90
Ontario Mills Pky, Ontario	7/27/2012	\$ 2,400,000	Comm Land	5.6	\$	9.87
<u>Average Price/Square Foot Commercial Uses</u>						\$ 7.18
Resulting Speedway Property Value @ 624,215 SF						\$ 4,479,365
Less 25% Discount for Wastewater Management						\$ 3,359,524

Source: CoStar, Updated 8/26/2014

It is also important to note that for this property, certain restrictions related to the use of tax exempt bond proceeds apply. The use of tax exempt bond proceeds is closely monitored to ensure the exempt status may be maintained for the issuance, under Federal law. Though tax exempt proceeds are typically used for public improvements, a certain amount of the proceeds may be used for "private payment" purposes. The amount allowable is based upon a nexus test, which determines whether or not the private use is related to the purpose of the bond issue. As noted in Attachment 1, four of the parcels, making up half of the land area contained in this Property, were purchased using tax exempt bond proceeds. If the parcels can be retained for development as proposed by the Successor Agency to further the purpose of the bonds, a higher amount of the bond issue may be used for private purposes allowing for a higher sales price to be achieved. If the property were to be sold for the sake of providing funds to taxing agencies, then the nexus is lost and the amount allowable for private uses is significantly lower. This means that ultimately, retention for development will literally result in a higher achievable sales value for the Property.

Given the challenges faced by this property, particularly the lack of onsite sewer, and Implementation Plan goals that guided the purchase of the property, the Successor Agency intends to retain the property for development to ensure the highest and best use for the benefit of all taxing agencies, and to uphold the goals of the Former RDA's Implementation Plan.

The Successor Agency interprets Health and Safety Code Section 34191.5 to mean that agreements with taxing entities pursuant to Health and Safety Code Section 34180(f) are not required in connection with the disposition of the Successor Agency's Properties to the County under authority of Health and Safety Code Section 34191.5(c)(2)(A) for use or further disposition by the County for projects identified in the Approved Redevelopment Plans or for any public use parcels under Health and Safety Code Section 34191.5(c)(2).

However, pursuant to DOF direction, the County and the Successor Agency will enter into a compensation agreement pursuant to Health and Safety Code Section 34180(f) (the "Compensation Agreement") with the affected taxing entities (the "Taxing Entities") specifying that the Net Proceeds (as further defined and described below) of (1) the County's use of the Properties and (2) any further disposition by the County to third parties of the Properties will be remitted to the County Auditor-Controller for distribution to all of the Taxing Entities on a pro-rata basis in proportion to each Taxing Entity's respective share of the property tax base. Transfer of the Properties by the Successor Agency to the County in accordance with this LRPMP is conditioned upon future execution of a Compensation Agreement by the County, the Successor Agency and the Taxing Entities.

As will be further set forth in the Compensation Agreement, the Net Proceeds to be remitted by the County for distribution to the Taxing Entities will consist generally of the following:

- So long as a Property is retained in the ownership of the County, the Net Proceeds will consist of the lease rental income, use fee income or other income, if any, that may be received by the County with respect to the Property minus the documented costs to the County of improvement, operation and maintenance of the Property.
- Upon disposition of a Property by the County to private development entity, the Net Proceeds will consist of the sale proceeds, if any, received by the County with respect to the Property minus the documented costs to the County of the improvement, operation, maintenance and disposition of the Property.

Notwithstanding the foregoing or any other provision of this Revised PMP, no Compensation Agreement will be required, and the County may retain any proceeds from the use or disposition of the Properties, if a court order, legislation or DOF policy reverses the DOF's directive regarding the need for a Compensation Agreement (a "Reversal"). In the event of a Reversal that occurs prior to the full execution of the Compensation Agreement, the Properties will be transferred to the County without the condition of or need for such full execution. If a Reversal occurs after the full execution of the Compensation Agreement, the Compensation Agreement will provide that it can be terminated by any party. Upon such termination, any Net Proceeds received by the County after such termination, may be retained by the County and are directed pursuant to this Revised PMP to be used by the County to pay costs of one or more projects identified in the Approved Redevelopment Plans.

**ACTION
ITEM**

4B

Date: May 18, 2016

To: The Honorable Board of Directors

Through: Engineering, Operations, and Biosolids Management Committee (05/11/16)
Finance, Legal, and Administration Committee (05/11/16)

From: *for* P. Joseph Grindstaff *WJG*
General Manager

Submitted by: Chris Berch *CB*
Executive Manager of Engineering/Assistant General Manager

Shaun J. Stone *SJS*
Manager of Engineering

Subject: Water Quality Laboratory Construction Contract Award

RECOMMENDATION

It is recommended that the Board of Directors:

1. Approve the construction contract award for the Water Quality Laboratory, Project No. EN15008, to Kemp Bros. Construction, Inc., in the amount of \$17,460,000;
2. Approve a total project budget amendment in the amount of \$3,745,000, which will increase the total project budget from \$20,900,000 to \$24,645,000;
3. Authorize the Agency to request an increase to the current SRF Loan Agreement in the amount of \$7,545,000; and
4. Authorize the General Manager to execute the construction contract, budget amendment, and required loan documents.

BACKGROUND

In 2005, the Agency performed a preliminary evaluation of the existing laboratory facility located at Regional Water Recycling Plant No. 1 (RP-1) followed by a feasibility study conducted in 2006 for a new laboratory facility. The assessments were performed by independent consultants who concluded that the existing laboratory facility was nearing the end of its useful life and presented several challenges including inadequate ventilation, lack of building

insulation, numerous structural and storage space issues, in addition to being crowded with limited expandability. The existing laboratory facility cannot meet future needs with an anticipated 30 percent increase in the number of annual samples. The existing laboratory facility is composed of 6,200 square feet accommodated within two buildings. Based on the assessments and the future increase in required samples, the decision was made to construct a new laboratory behind the Agency Headquarters Building B.

The Water Quality Laboratory design began in 2010 by The Austin Company (Austin), consulting engineering firm; however, at 50 percent design level, the project was put on hold on October 26, 2010, as part of the Agency's cost containment plan. In 2014, the Agency decided to move forward with the project and reestablished Austin's contract early 2015. The revised project scope includes the addition of the central chiller plant expansion to supply necessary chilled water for the laboratory building air conditioning system.

In 2010, an addendum to the RP-5 Program Environmental Impact Report (PEIR) dated 1999 was developed for the Water Quality Laboratory and verified as still applicable to the project in 2015.

The Water Quality Laboratory project is grant funded via a State Revolving Fund (SRF) Loan at 2.1% rate and \$1,050,000 principal forgiveness. The SRF Loan Agreement will be updated to reflect the revised total project cost to correspond to the construction bid received.

The project team conducted two rounds of contractor prequalification to obtain a list of qualified general contractors who had the required experience to construct the Water Quality Laboratory and Central Chiller Plant expansion. The prequalification process was completed at the end of February 2016 concurrently with the completion of the final design package. The prequalification process yielded five qualified contractors who received an invitation to bid.

On March 1, 2016, a request for bids was advertised to the five prequalified contractors on PlanetBids for the construction of the Water Quality Laboratory. Four out of the five prequalified general contractors participated in the job walk. On April 5, 2016, the following bids were received:

Bidder's Name	Price
Kemp Bros. Construction, Inc.	\$17,460,000
AMG & Associates, Inc.	\$17,845,000
Tovey/Shultz Construction	\$18,044,438
Engineer's Estimate	\$20,600,000

Kemp Bros. Construction, Inc. is the lowest responsive and responsible bidder with a bid of \$17,460,000. During the prequalification process, IEUA staff and two consultants evaluated Kemp Bros. financial statements, verified references, reviewed past projects and other selection criteria, and validated their ability to perform the construction of the Water Quality Laboratory. Once the bids were received, IEUA staff evaluated Kemp Bros. bid for completeness with the

Bid Document requirements and confirmed that Kemp Bros. Construction, Inc. is the lowest responsive and responsible bidder.

The following is the projected project cost:

Description	Estimated Cost
Design	\$1,625,000
Third Party Services (<i>technical experts, constructability review, commissioning, geotechnical consultant, survey, special inspection, etc.</i>)	\$250,000
Construction	\$17,460,000
Construction Management	\$2,600,000
Contingency (~10%)	\$1,760,000
Solar P/V System	\$300,000
Special Laboratory Equipment	\$650,000
Total Project Cost	\$24,645,000
Current Total Project Budget	\$20,900,000
Requested Budget Amendment	\$3,745,000

The following is the project schedule:

Project Milestone	Date
Construction Contract Award	May 2016
Construction Completion	August 2018

The Water Quality Laboratory, when constructed, will address all the issues presented above and provide numerous benefits to the Agency as well as stakeholders within the Service Area. Benefits include cost and energy savings, environmental compliance, adaptation to future complex analytical needs, enhanced performance and safety, public educational tours, solar power generation, etc.

The Water Quality Laboratory Project is consistent with the *Agency's Business Goal of Wastewater Management* that systems will be master planned, managed and constructed to ensure that when expansion planning is triggered, designs/construction can be completed to meet regulatory/growth needs in an expeditious, environmentally responsible and cost effective manner.

PRIOR BOARD ACTION

On November 18, 2015, the Board awarded the commissioning contract to Heery International, Inc.

On October 14, 2015, the Board awarded the consulting engineering services contract Amendment No. 1 to the Austin Company.

On May 20, 2015, the Board awarded the consulting engineering services contract to The Austin Company.

In 2014, the Board approved a 2.1%, 30 year SRF loan agreement (C-06-7885-110) for \$17,100,000 including 1,050,000 grant.

IMPACT ON BUDGET

If approved the budget amendment in the amount of \$3,745,000 will increase the total project from \$20,900,000 to \$24,645,000. The construction award in the amount of \$17,460,000 will be within the amended total project budget of \$24,645,000 in the Regional Wastewater O&M (10800) Fund.

PJG:CB:SS:jz

Water Quality Laboratory Construction Contract Award

Project No. EN15008

May 2016



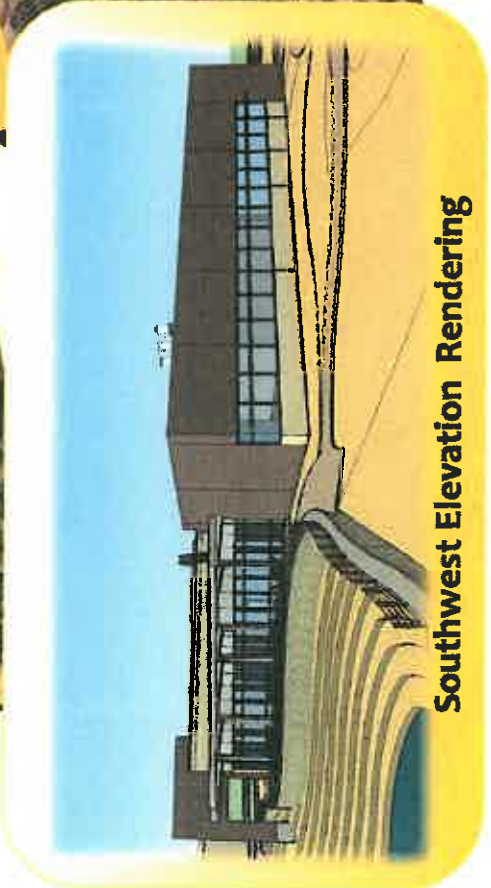
Inland Empire Utilities Agency

A MUNICIPAL WATER DISTRICT

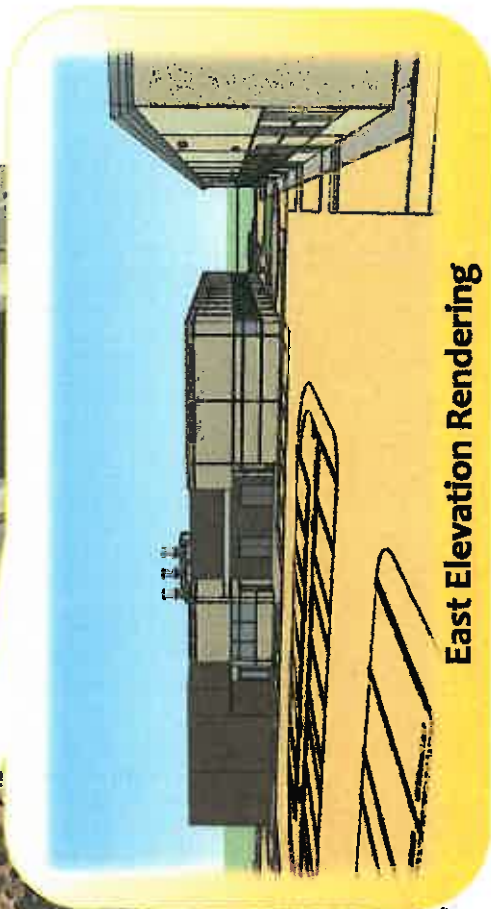
Shaun Stone, P.E.
Manager of Engineering

Jamal Zughbi, P.E.
Project Manager

Headquarters Aerial View (Lab Location)



Southwest Elevation Rendering



East Elevation Rendering

Project Background

- Existing RP-1 Laboratory evaluation and feasibility study conducted in 2005 and 2006 respectively
- Current condition of Laboratory:
 - Old and crowded (6,200 sq.ft.) within two buildings
 - Limited expandability and adaptability for future analytical needs
 - Aging systems (HVAC, fume hoods, plumbing, electrical, etc.)
 - Numerous Structural and storage issues
 - Limits on annual number of samples analyzed
- Conclusion: Construct a new lab facility at RP-5 Headquarter Campus
- Design started in 2010, put on hold in October 2010, resumed in 2015
- Consultant: The Austin Company



Existing Lab

Project Description/Highlights

- 16,000 sq. ft. building
- Enhanced safety and work flow layout
- Operational cost and energy savings
- Regional benefits, environmental compliance
- SRF Loan/Grant funded
- Solar power system (~65 kW)
- Silver/Gold LEED rated building
- Public educational tours
- Central Chiller Plant upgrades
 - New chiller, cooling tower, pumps, piping
- Five contractors prequalified in February 2016



Central Chiller Plant



South Elevation Rendering

Bid Summary

- On March 1, 2016, a request for bids was advertised to the five prequalified contractors
- On April 5, 2016, the following bids were received:

Bidder's Name	Bid
Kemp Bros. Construction, Inc.	\$17,460,000
AMG & Associates, Inc.	\$17,845,000
Tovey/Shultz Construction	\$18,044,438
Engineer's Estimate	\$20,600,000

Project Cost/Schedule

Description	Estimated Cost
Design	\$1,625,000
Third Party Services (Technical Experts, Constructability Review, Commissioning, Geotechnical Consultant, Survey, Special Inspection)	\$250,000
Construction	\$17,460,000
Construction Management	\$2,600,000
Contingency (~10%)	\$1,760,000
Solar PV System	\$300,000
Laboratory Equipment	\$650,000
Total Project Cost	\$24,645,000
Current Total Project Budget	\$20,900,000
Requested Budget Amendment	\$3,745,000

Project Milestone	Date
Construction Contract Award	May 18, 2016
Construction Completion	August 2018



Agency Goal/Recommendation

Staff recommends that the Board of Directors:

1. Approve the construction contract award for the Water Quality Laboratory, Project No. EN15008, to Kemp Bros. Construction, Inc., for the not-to-exceed amount of \$17,460,000;
2. Approve a total project budget amendment in the amount of \$3,745,000;
3. Authorize the Agency to request an increase to the current SRF Loan Agreement in the amount of \$7,545,000; and
4. Authorize the General Manager to execute the construction contract, budget amendment, and required loan documents.

The Water Quality Laboratory Project is consistent with the Agency's Business Goal of Wastewater Management that systems will be master planned, managed and constructed to ensure that when expansion planning is triggered, designs/construction can be completed to meet regulatory/growth needs in an expeditious, environmentally responsible and cost effective manner.

CONTRACT

1.0 CONTRACT

THIS CONTRACT, made and entered into this ____ day of _____, 20__, by and between KEMP BROS. CONSTRUCTION, INC., hereinafter referred to as "Contractor," and The Inland Empire Utilities Agency, a Municipal Water District, located in San Bernardino County, California, hereinafter referred to as "Agency".

WITNESSETH:

That for and in consideration of the promises and agreements hereinafter made and exchanged, the Agency and the Contractor agree as follows:

1. Contractor agrees to perform and complete in a workmanlike manner, all work required under the bidding schedule of said Agency's specifications entitled SPECIFICATIONS FOR WATER QUALITY LABORATORY AND CENTRAL PLANT EXPANSION, PROJECT NO. EN15008, in accordance with the specifications and drawings, and to furnish at their own expense, all labor, materials, equipment, tools, and services necessary, except such materials, equipment, and services as may be stipulated in said specifications to be furnished by said Agency, and to do everything required by this Contract and the said specifications and drawings.
2. For furnishing all said labor, materials, equipment, tools, and services, furnishing and removing all plant, temporary structures, tools and equipment, and doing everything required by this Contract and said specifications and drawings; also for all loss and damage arising out of the nature of the work aforesaid, or from the action of the elements, or from any unforeseen difficulties which may arise during the prosecution of the work until its acceptance by said Agency, and for all risks of every description connected with the work; also for all expenses resulting from the suspension or discontinuance of work, except as in the said specifications are expressly stipulated to be borne by said Agency; and for completing the work in accordance with the requirements of said specifications and drawings, said Agency will pay and said Contractor shall receive, in full compensation therefore, the price(s) set forth in this Contract.
3. That the Agency will pay the Contractor progress payments and the final payment, in accordance with the provisions of the contract documents, with warrants drawn on the appropriate fund or funds as required, at the prices bid in the Bidding and Contract Requirements, Section C - Bid Forms and accepted by the Agency, and set forth in this below.

Total Lump Sum Bid Price \$17,460,000.⁰⁰ Seventeen Million Four Hundred Sixty Thousand Dollars and Zero Cents.

If this is not a lump sum bid and the contract price is dependent upon the quantities
WATER QUALITY LABORATORY & May 2016
CENTRAL PLANT EXPANSION
PROJECT NO. EN15008 1

constructed, the Agency will pay and said Contractor shall receive, in full compensation for the work the prices named in the Bidding and Contract Requirements, Section C - Bid Forms.

4. The Agency hereby employs the Contractor to perform the work according to the terms of this Contract for the above-mentioned price(s), and agrees to pay the same at the time, in the manner, and upon the conditions stipulated in the said specifications; and the said parties for themselves, their heirs, executors, administrators, successors, and assigns, do hereby agree to the full performance of the covenants herein contained.
5. The Notice Inviting Bids, Instructions to Bidders, Bid Forms, Information Required of Bidder, Performance Bond, Payment Bond, Contractors License Declaration, Specifications, Drawings, all General Conditions and all Special Conditions, and all addenda issued by the Agency with respect to the foregoing prior to the opening of bids, are hereby incorporated in and made part of this Contract, as if fully set forth.
6. The Contractor agrees to commence work under this Contract on or before the date to be specified in a written "Notice To Proceed" and to complete said work to the satisfaction of the Agency within eight hundred ten (810) calendar days after award of the Contract. All work shall be completed before final payment is made.
7. Time is of the essence on this Contract.
8. Contractor agrees that in case the work is not completed before or upon the expiration of the contract time, damage will be sustained by the Agency, and that it is and will be impracticable to determine the actual damage which the Agency will sustain in the event and by reason of such delay, and it is therefore agreed that the Contractor shall pay to the Agency the amount of five thousand (\$5,000.00) dollars for each day of delay, which shall be the period between the expiration of the contract time and the date of final acceptance by the Agency, as liquidated damages and not as a penalty. It is further agreed that the amount stipulated for liquidated damages per day of delay is a reasonable estimate of the damages that would be sustained by the Agency, and the Contractor agrees to pay such liquidated damages as herein provided. In case the liquidated damages are not paid, the Contractor agrees that the Agency may deduct the amount thereof from any money due or that may become due to the Contractor by progress payments or otherwise under the Contract, or if said amount is not sufficient, recover the total amount.

In addition to the liquidated damages, which may be imposed if the Contractor fails to complete the work within the time agreed upon, the Agency may also deduct from any sums due or to become due the Contractor, liquidated damages in accordance with the Bidding and Contract Requirements, Section B - Instruction to Bidders, Part 5.0 "Liquidated Damages", for any violation of the General Conditions, Section D - Contractor's Responsibilities, Part 8, "Law and Regulations"; Bidding and Contract Requirements Contract Section D -Contract and Relevant Documents, Part 1.0, Paragraphs 9 through 11; General Conditions , Section D – Contractor's Responsibilities, Part 4.0, "Labor, Materials and Equipment"; General Conditions Section D – Contractor's

Responsibilities, Part 12.0, "Safety and Protection" or General Conditions Section H – Legal Responsibilities, Part 8.0, "Disturbance of the Peace".

9. That the Contractor will pay, and will require subcontractors to pay, employees on the work a salary or wage at least equal to the prevailing salary or wage established for such work as set forth in the wage determinations and wage standards applicable to this work, contained in or referenced in the contract documents.
10. That, in accordance with Section 1775 of the California Labor Code, Contractor shall forfeit to the Agency, as a penalty, not more than Fifty (\$50.00) Dollars for each day, or portion thereof, for each worker paid, either by the Contractor or any subcontractor, less than the prevailing rates as determined by the Director of the California Department of Industrial Relations for the work.
11. That, except as provided in Section 1815 of the California Labor Code, in the performance of the work not more than eight (8) hours shall constitute a day's work, and not more than forty (40) hours shall constitute a week's work; that the Contractor shall not require more than eight (8) hours of labor in a day nor more than forty hours of labor in a week from any person employed by the Contractor or any subcontractor; that the Contractor shall conform to Division 2, Part 7, Chapter 1, Article 3 (Section 1810, et seq.) of the California Labor Code; and that the Contractor shall forfeit to the Agency, as a penalty, the sum of Twenty-Five (\$25.00) Dollars for each worker employed in the execution of the work by Contractor or any subcontractor for each day during which any worker is required or permitted to labor more than eight (8) hours in violation of said Article 3.
12. That the Contractor shall carry Workers' Compensation Insurance and require all subcontractors to carry Workers' Compensation Insurance as required by the California Labor Code.
13. That the Contractor shall have furnished, prior to execution of the Contract, two bonds approved by the Agency, one in the amount of one hundred (100) percent of the contract price, to guarantee the faithful performance of the work, and one in the amount of one hundred (100) percent of the contract price to guarantee payment of all claims for labor and materials furnished.
14. The Contractor hereby agrees to protect, defend, indemnify and hold the Agency and its employees, agents, officers, directors, servants and volunteers free and harmless from any and all liability, claims, judgments, costs and demands, including demands arising from injuries or death of persons (including employees of the Agency and the Contractor) and damage to property, arising directly or indirectly out of the obligation herein undertaken or out of the operations conducted by the Contractor, its employees agents, representatives or subcontractors under or in connection with this Contract.

The Contractor further agrees to investigate, handle, respond to, provide defense for and defend any such claims, demands or suit at the sole expense of the Contractor.

IN WITNESS WHEREOF, The Contractor and the General Manager of Inland Empire Utilities Agency*, thereunto duly authorized, have caused the names of said parties to be affixed hereto, each in duplicate, the day and year first above written.

Inland Empire Utilities Agency,*
San Bernardino County, California.

By _____
General Manager

Contractor
KEMP BROS. CONSTRUCTION, INC.

By  _____
Title CEO

Greg Solaas
Co-Chief Executive Officer

*Municipal Water District

**ACTION
ITEM**

4C

Date: May 18, 2016

To: The Honorable Board of Directors

Through: Finance, Legal, and Administration Committee (05/11/2016)

From: *for* P. Joseph Grindstaff *OK*
General Manager

Submitted by: *CV* Christina Valencia
Chief Financial Officer/Assistant General Manager

JL Javier Chagoyen-Lazaro
#882 Manager of Finance and Accounting

Subject: Debt Management Policy

RECOMMENDATION

It is recommended that the Board of Directors adopt the proposed Debt Management Policy governing all Agency's debt (Attachment A).

BACKGROUND

The Debt Management Policy demonstrates the Agency's effort to standardize the issuance and management of debt. The primary objective of the debt management policy is to establish conditions for the use of debt and to create procedures and policies that minimize the Agency's debt service and issuance costs, retain a high quality credit rating, and maintain full and complete financial disclosure and reporting.

The Debt Management Policy is an important tool in ensuring the use of Agency resources to meet its commitments of providing essential services to its stakeholders and to maintain sound financial management practices. This policy provides guidelines for the use of debt for financing Agency needs. The Debt Management Policy is a guideline for general use, and as such, allows for exceptions when necessary.

The Debt Management Policy sets forth comprehensive guidelines for the use of debt financing and prepayment or refunding of outstanding debt. It is the objective of the policy to (1) obtain debt financing only when necessary, (2) establish the process for identifying the timing and amount of debt or other financing to be as efficient as possible, (3) obtain the most favorable interest rate and other related costs, (4) when appropriate, that future financial flexibility be maintained.

Debt Management Policy
May 18, 2016
Page 2

PRIOR BOARD ACTION

None.

IMPACT ON BUDGET

None.

Exhibit A: Summary of the Debt Policy
Attachment A: Debt Management Policy, May 2016

Exhibit A – Summary of Debt Policy

Purpose of Policy
• Establish parameters of issuing debts
• Provide guidance to decision makers
• Promote objectivity in the decision-making process
• Adhere to legal requirements for the issuance of debt
Debt Management
• Assess long term and short term financing needs
• Evaluate financing or refinancing vehicles
• Establish and monitor debt coverage target
• Comply with disclosure requirements



Inland Empire Utilities Agency

A MUNICIPAL WATER DISTRICT

DEBT POLICY


May 2016

Board Meeting

These changes in the ordinance are consistent with the Agency's Business Goals under Fiscal Responsibility of safeguarding the Agency's fiscal health, while providing an open and transparent communication to educate the Member Agencies of the fiscal policies of the Agency.


Debt Policy

The purpose of the Debt Policy is to:

- Establish parameters for the use of debt and ensure there is an identified and reliable source of repayment.
 - Provide guidance to the decision-makers for selection of the most prudent, equitable and cost effective method of financing.
 - Ensure compliance to legal requirements in the issuance of debt, spending of debt proceeds, and arbitrage and continuing disclosure requirements.
 - Support IEUA Business Goal of Fiscal Responsibility to sustain a high quality credit rating.
- 

Debt Policy

Debt Management

- No new debt will be issued without Board approval.
 - Assess short term and long term financing needs and impact on current and future budgets for debt service and operations, and debt capacity.
 - Ensure debt coverage ratio meets Board objectives.
 - Monitor refinancing or early repayment opportunities to reduce debt service costs.
 - Maintain good, ongoing communications with bond rating agencies.
- 

**INLAND EMPIRE UTILITIES AGENCY
DEBT MANAGEMENT POLICY
May 2016**

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Derivatives15

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Policy Statement

This policy documents the Inland Empire Utilities Agency (Agency) goals and guidelines for the use of debt instruments for financing Agency water and sewer infrastructure, projects, and other financing needs. The Agency recognizes the need to invest in ongoing capital replacement and rehabilitation of its facilities to ensure future viability of services.

The Agency will pay for infrastructure, projects, and other financing needs from a combination of current revenues, available reserves, and prudently issued debt. The Agency acknowledges that debt can provide an equitable means of financing projects for its customers and provide access to new capital needed for infrastructure and project needs. Debt will be used to meet financing needs (i) if it meets the goals of equitable treatment of all customers, both current and future; (ii) if it is the most cost-effective means available; (iii) if it is fiscally prudent, responsible, and diligent under the prevailing economic conditions; and (v) if there are other important policy reasons therefor. The Agency will not issue debt without the approval of the Board of Directors (Board).

To enhance creditworthiness and prudent financial management, the Agency is committed to systematic capital planning, and long-term financial planning. Evidence of this commitment to long term capital planning is demonstrated through adoption and periodic adjustment of the Agency's Ten Year Capital Improvement Plan (TYCIP) identifying the benefits, costs and method of funding each capital improvement planned for the succeeding ten years. Capital projects included in the TYCIP are typically first identified in the Agency's long term planning documents, amongst them the Wastewater Facilities Master Plan, Asset Management Plan, Recycled Water Program Strategy, and Integrated Resources Plan.

Purpose of Policy

The purpose of this debt management policy is to:

- To establish parameters for issuing debt
- Provide guidance to decision makers:
 - With respect to options available to finance infrastructure, projects, and other financing needs,
 - So that the most prudent, equitable and cost effective method of financing can be chosen
- Promote objectivity in the decision-making process.

The Agency will adhere to the following legal requirements for the issuance of public debt:

- The state law which authorizes the issuance of the debt
- The federal and state law which govern the eligibility of the debt for tax-exempt status
- The federal and state law which govern the issuance of taxable debt

INLAND EMPIRE UTILITIES AGENCY
DEBT MANAGEMENT POLICY
May 2016

- The federal and state laws which govern disclosure, sale, and trading of the debt both before and subsequent to issuance
- Generally Accepted Accounting Principles (“GAAP”)

Purpose and Use of Debt

The Agency will utilize reasonable debt financing as an acceptable and appropriate approach to fund long-term improvements and thus ensure that existing and future users pay their fair share. Long-term improvements include the acquisition of land, facilities, infrastructure, and supplies of water; and enhancements or expansions to existing water and sewer capacity and facilities. Debt can be issued to fund the planning, pre-design, design, land and/or easement acquisition, construction, and related fixtures, equipment and other costs as permitted by law. The Agency will not issue debt to cover operating needs, unless specifically approved by the Board.

The Agency may issue short term financing to finance certain essential equipment and vehicles. These assets range from service vehicles to laboratory equipment. The underlying asset must have a minimum useful life of one year or more. Short-term financings, including loans, on bill financing and capital lease purchase agreements, are executed to meet such needs.

The CFO/AGM will periodically evaluate the Agency’s existing debt and execute re-financings or prepayment (refunding) when economically beneficial. A refinancing may include the issuance of bonds to refund existing bonds or the issuance of bonds in order to refund other obligations, such as commercial paper or loans.

All debt issuance or refunding proposals made by the Agency involving a pledge or other extension of the Agency’s credit through the sale of securities, execution of loans or leases, or making of guarantees or otherwise involving directly or indirectly the lending or pledging of the Agency’s credit shall be reviewed by the CFO/AGM. The CFO/AGM shall be responsible for analyzing the debt financing proposal to determine if it is beneficial to the Agency and complies with the Agency’s long-term financial planning objectives.

The proceeds of any debt obligation shall be expended only for the purpose for which it was authorized. Debt may only be issued under Board authorization and when the Agency has appropriated sufficient funds to pay the obligation of principal and interest. No debt shall be issued with a maturity date greater than the expected weighted average useful life of the facilities or improvements being financed. The final maturity of bond or State Revolving Fund (SRF) loan debt shall be limited to 30 years after the date of issuance.

INLAND EMPIRE UTILITIES AGENCY
DEBT MANAGEMENT POLICY
May 2016

Debt Management

There are no specific provisions within the California Government Code that limit the amount of debt that can be issued by the Agency. The Agency will provide for a periodic review of its financial performance and review its performance relative to the financial policies outlined herein. These financial policies will be taken into account during the capital planning, budgeting, and rate setting process. Necessary appropriations for annual debt service requirements will be routinely included in the Agency's budget. The Agency will maintain proactive communication with the investment community, including rating agencies, credit enhancers and investors, to ensure future capital market access at the lowest possible interest rates.

The Agency's Debt Management Policy, Reserve Policy and Investment Policy are integrated into the decision-making framework utilized in the budgeting and capital improvement planning process. As such, the following principles outline the Agency's approach to debt management:

- The Agency will issue debt only in the case where there is an identified source of repayment. Debt will be issued to the extent that (i) projected existing revenues are sufficient to pay for the proposed debt service together with existing debt service covered by such existing revenues, or (ii) additional revenues have been identified as a source of repayment in an amount sufficient to pay for the proposed debt.
- The Agency will not issue debt to cover operating needs, unless specifically approved by the Board.
- Debt will be structured for the shortest period possible, consistent with a fair allocation of costs to current and future users. Borrowings by the Agency should be of a duration that does not exceed the useful life of the improvement that it finances and where feasible, should be shorter than the projected economic life. The standard term of long-term borrowing is typically 20-30 years.
- The Agency currently issues securities on a fixed and variable interest rate basis. Fixed rate securities ensure budget certainty through the life of the securities and can be advantageous in a low interest rate environment. When appropriate, the Agency may choose to issue securities that pay a rate of interest that varies according to a predetermined formula or results from a periodic remarketing of the securities.

The proceeds of the bond sales will be invested until used for the intended project(s) in order to maximize utilization of the public funds. The investments will be made to obtain the highest level of safety. The Agency's Investment Policy and the specific bond indentures govern objectives and criteria for investment of bond proceeds. The CFO/AGM will oversee the investment of bond proceeds in a manner to avoid, if possible, and minimize any potential negative arbitrage over the life of the bond issuance, while complying with arbitrage and tax provisions.

INLAND EMPIRE UTILITIES AGENCY
DEBT MANAGEMENT POLICY
May 2016

The CFO/AGM will monitor dedicated debt reserve fund balances and periodically review the advisability of prepayment or refunding of related debt. The financial advantages of a current refunding must outweigh the cost of reissuing new debt. A potential refunding will be assessed in combination with any new capital projects requiring financing, and the benefits of the refunding will be evaluated in relation to its costs and risks.

Debt can be refunded to achieve one or more of the following objectives:

- Reduce future interest costs; Restructure future debt service in response to evolving conditions regarding anticipated revenue sources; and
- Restructure the legal requirements, termed covenants of the original issue to reflect more closely the changing conditions of the Agency or the type of debt.

Debt Coverage Target

The Agency will not engage in debt financing unless the proposed obligation, when combined with all existing debts, will result in acceptable debt ratios. In determining the affordability of proposed revenue bonds, the Agency will perform an analysis comparing projected annual net revenues (after payment of operating and maintenance (O&M expense) to estimated annual debt service and estimated debt coverage ratio (DCR) DCR is the amount of cash flow available to meet annual interest and principal payment on debt.

The Agency's bond covenants require a legal DCR of at least 120% for senior bonds and a coverage ratio of at least 125% for senior and subordinate debt combined. The Agency will require a rate increase to cover both O&M and debt service costs, and create debt service reserve funds to maintain the legally required DCR. The Agency's objective is to maintain a DCR above the legally required minimum that sustains a high quality credit rating.

Debt Instrument Rating

The CFO/AGM with a financial advisor if appropriate, will assess whether a credit rating should be obtained for an issuance and make a recommendation to the Board. If it is determined that a credit rating is desirable, the probable rating of the proposed debt issuance is assessed before its issuance, and necessary steps are taken in structuring the debt issuance to ensure that the best possible rating is achieved.

Debt Structuring

In structuring a debt issuance, the Agency will manage the amortization of debt, and to the extent possible, match its cash flow to the anticipated debt service payments. The Agency will seek to

**INLAND EMPIRE UTILITIES AGENCY
DEBT MANAGEMENT POLICY
May 2016**

structure debt with aggregate level principal and interest payments over the life of the borrowing. “Backloading” of debt service will be considered only when such structuring is beneficial to the Agency’s aggregate overall debt payment schedule.

Types of Debt

Revenue bonds, State Revolving Fund (SRF) loans, bank loans, notes, commercial paper, direct placements, capital leases, lease-purchase financing, and on bill financing. The weighted average useful life of the asset(s) or project shall exceed the payout schedule of any debt the Agency assumes. A definition on each type of debt is provided in Appendix A.

In addition to the aforementioned long and short term financing instruments, the Agency may also consider joint arrangements with other governmental agencies. Communication and coordination will be made with local governments regarding cost sharing in potential joint projects, including leveraging grants and funding sources.

The Agency is authorized to join with other special districts and/or municipal agencies to create a separate entity, a Joint Powers Authority (JPA), to issue debt on behalf of the Agency, the special district or municipality. The Agency will only be liable for its share of debt service, as specified in a contract executed in connection with the joint venture debt.

Credit Enhancement

Credit enhancement may be used to improve or establish a credit rating on an Agency debt obligation. Types of credit enhancement include Letters of Credit, bond insurance or surety policies. The CFO/AGM will recommend to the Board the use of credit enhancement if it reduces the overall cost of the proposed financing or if, in the opinion of the GM and/or CFO/AGM, the use of such credit enhancement furthers the Agency’s overall financial objectives.

Debt Service Reserve Fund/Surety Policy

Unless there are extraordinary circumstances, the Agency will size the debt issuance such that a debt service reserve fund is established at the time of issuance. On a case-by-case basis, assuming there is no economic or credit disadvantage, the Agency may issue bonds without a debt service reserve fund or a reserve that is sized at a lower level. Debt reserves will be maintained in accordance with the Agency’s Reserve Policy.

Call Options/Redemption Provisions

The CFO/AGM will evaluate and recommend to the Board the use of a call option, if any, and call protection period for each issuance. A call option, or optional redemption provision, gives the

**INLAND EMPIRE UTILITIES AGENCY
DEBT MANAGEMENT POLICY
May 2016**

Agency the right to prepay or retire debt prior to its stated maturity. This option may permit the Agency to achieve interest savings in the future through refunding of the bonds.

Debt Issuance

Credit Ratings

The Agency will seek to maintain the highest possible credit ratings that can be achieved for debt instruments without compromising the Agency's policy objectives. Ratings are a reflection of the general fiscal soundness of the Agency and the capabilities of its management. By maintaining the highest possible credit ratings, the Agency can issue its debt at a lower interest cost. To enhance creditworthiness, the Agency is committed to prudent financial management, systematic capital planning, and long-term financial planning.

The Agency recognizes that external economic, natural, or other events may from time to time affect the creditworthiness of its debt. Each proposal for additional debt will be analyzed for its impact upon the Agency's debt rating on outstanding debt.

Rating Agency Relationships

The Agency shall be responsible for maintaining Agency's relationships with the rating agencies; Standard & Poor's, Moody's Investors Service, and Fitch Investors Service, as appropriate. This effort shall include providing periodic updates, both formal and informal, on the Agency's general financial condition and coordinating meetings and presentations in conjunction with a new debt issuance when determined necessary. Written disclosure documents to the rating agencies shall be provided by the Finance and Accounting Department.

The retention of a rating agency relationship will be based on a determination of the potential for more favorable interest costs as compared to the direct and indirect cost of maintaining that relationship.

Bond Ratings

The CFO/AGM working with the Agency's financial advisor, shall be responsible for determining whether a rating shall be requested on a particular financing, and which of the major rating agencies shall be asked to provide such a rating.

INLAND EMPIRE UTILITIES AGENCY
DEBT MANAGEMENT POLICY
May 2016

Method of Sale

The Agency will select the method of sale, which best fits the type of bonds being sold, market conditions, and the desire to structure bond maturities to enhance the overall performance of the entire debt portfolio. Three general methods exist for the sale of municipal bonds:

- I. **Competitive sale.** Bonds will be marketed to a wide audience of investment banking (underwriting) firms. The underwriter is selected based on its best bid for its securities. The Agency will award the sale of the competitively sold bonds on a true interest cost (TIC) basis. Pursuant to this policy, the GM and/or CFO/AGM is hereby authorized to sign the bid form on behalf of the Agency fixing the interest rates on bonds sold on a competitive basis.

- II. **Negotiated sale.** The CFO/AGM selects the underwriter, or team of underwriters, of its securities in advance of the bond sale. The CFO/AGM works with the underwriter to bring the issue to market and negotiates all rates and terms of the sale. In advance of the sale, the GM and/or CFO/AGM will determine compensation for and liability of each underwriter employed and the designation rules and priority of orders under which the sale itself will be conducted. Pursuant to this policy, the GM and/or CFO/AGM is hereby authorized to sign the bond purchase agreement on behalf of the Agency fixing the interest rates on bonds sold on a negotiated basis.

- III. **Private placement.** The Agency may elect to issue debt on a private placement bases. Such method shall be considered if it is demonstrated to result in cost savings or provide other advantages relative to other methods of debt issuance, or of it is determined that access to the public market is unavailable and timing considerations require that a financing be completed.

Roles and Responsibility

The primary responsibility for developing debt financing recommendations rests with the CFO/AGM. In developing such recommendations, the CFO/AGM shall consider the need for debt financing and assess progress on the current capital improvement program or plan (CIP) and any other program/improvement deemed necessary by the Agency. The Board authorize and approve debt financing and/or debt service related recommendations and proposals.

All proposed debt financings shall be presented to the Board through the Finance, Legal, and Administrative Committee and approved by the Board. New bond issues will be issued through the Chino Basin Regional Financing Authority (CBRFA) pursuant to a corresponding Installment Purchase Agreement between the CBRFA and the Agency. The Installment Purchase Agreement provides for the Agency's pledge of designated revenues, the setting of rates and charges sufficient to meet the debt obligations and the payment of debt obligations.

INLAND EMPIRE UTILITIES AGENCY
DEBT MANAGEMENT POLICY
May 2016

Debt is to be issued pursuant to the authority of and in full compliance with provisions, restrictions and limitations of the Constitution and laws of the State of California Government Code (CGC) §54300 et seq.

Bond Counsel

The Agency will retain external bond counsel for all debt issues. As part of its responsibility to oversee and coordinate the marketing of all Agency indebtedness, the CFO/AGM shall make recommendations for approval by the Board on the retention of bond counsel.

Bond counsel will prepare the necessary authorizing resolutions, agreements and other documents necessary to execute the financing. All debt issued by the Agency will include a written opinion by bond counsel affirming that the Agency is authorized to issue the debt, stating that the Agency has met all state constitutional and statutory requirements necessary for issuance, and determining the debt's federal income tax status.

Financial Advisors

The Agency will select financial advisors who may either be independent financial advisors or firms who engage in municipal bond underwriting or brokerage services. While serving as the Agency's financial advisor, a firm may not also engage in the underwriting of the Agency bond issue for which that firm acts as financial advisor. A firm may also not switch roles (i.e., from financial advisor to underwriter) after a financial transaction has begun. Financial advisors shall be selected through a competitive process after a review of proposals by the CFO/AGM and/or other staff.

During the contract term of any party acting as financial advisor, neither the firm nor any individual employed by that firm will perform financial advisory, investment banking or similar services for any entity other than the Agency in transactions involving an Agency financial commitment without the specific direction of the Agency's CFO/AGM.

Underwriters

For negotiated sales, the Agency will generally select or pre-qualify underwriters through a competitive process. This process may include a request for proposal or qualifications to all firms considered appropriate for the underwriting of a particular issue or type of bonds. The CFO/AGM will determine the appropriate method to evaluate the underwriter submittals and then select or qualify firms on that basis. The Agency will not be bound by the terms and conditions of any underwriting agreement; oral or written, to which it was not a party.

INLAND EMPIRE UTILITIES AGENCY
DEBT MANAGEMENT POLICY
May 2016

Federal Arbitrage and Rebate Compliance

The Agency will fully comply with federal arbitrage and rebate regulations. Concurrent with this policy, the CFO/AGM will take all permitted steps to minimize any rebate liability through proactive management in the structuring and oversight of its individual debt issues. All of the Agency's tax-exempt issues, including lease purchase agreements, are subject to arbitrage compliance regulations.

The Department of Financial Planning shall be responsible for the following:

- I. **Monitoring the expenditure of bond proceeds to ensure they are used only for the purpose and authority for which the bonds were issued and exercising best efforts to spend bond proceeds in such a manner that the Agency shall meet one of the spend-down exemptions from arbitrage rebate. Tax-exempt bonds will not be issued unless it can be demonstrated that 85% of the proceeds will be expended within the three-year temporary period.**
- II. **Monitoring the investment of bond proceeds with awareness of rules pertaining to yield restrictions. Maintaining detailed investment records, including purchase prices, sale prices and comparable market prices for all securities.**
- III. **Contracting the services of outside arbitrage consultants to establish and maintain a system of record keeping and reporting to meet the arbitrage rebate compliance requirements of federal tax code.**

To the extent any arbitrage rebate liability exists, the Agency will report such liability in its annual Comprehensive Annual Financial Report (CAFR).

Continuing Disclosure

The Agency will meet secondary disclosure requirements in a timely and comprehensive manner, as stipulated by the Securities Exchange Commission (SEC) Rule 15c2-12. The GM or CFO/AGM shall be responsible for providing ongoing disclosure information to the Municipal Securities Rulemaking Board's (MSRB's) Electronic Municipal Market Access (EMMA) system, the central depository designated by the SEC for ongoing disclosures by municipal issuers. The Agency will provide financial information and operating data no later than 270 days following the end of the Agency's fiscal year each year, and will provide notice of certain enumerated events with respect to the bonds, if material, as defined in the Agency's bond covenants.

The Agency will keep current with any changes in both the administrative aspects of its filing requirements and the national repositories responsible for ensuring issuer compliance with the continuing disclosure regulations. In the event a 'material event' occurs requiring immediate

**INLAND EMPIRE UTILITIES AGENCY
DEBT MANAGEMENT POLICY
May 2016**

disclosure, the Agency will ensure information flows to the appropriate disclosure notification parties.

Compliance with Bond Covenants

In addition to financial disclosure and arbitrage compliance, once the bonds are issued, the Agency is responsible for verifying compliance with all undertakings, covenants, and agreements of each bond issuance on an ongoing basis. This typically includes ensuring:

- Annual appropriation of revenues to meet debt service payments
- Timely transfer of debt service payments to the trustee or paying agent
- Compliance with insurance requirements
- Compliance with rate covenants where applicable
- Compliance with all other bond covenants

On an annual basis, the Finance and Accounting Department will prepare all required debt related schedules and footnotes for inclusion in the Agency's CAFR. The CAFR shall describe in detail all funds and fund balances established as part of any direct debt financing of the Agency.

The CAFR may also contain a report detailing any material or rate covenants contained in any direct offering of the Agency and whether or not such covenants have been satisfied.

Policy Review

On an as needed basis, the CFO/AGM will be responsible for updating and revising this Policy which shall be reviewed by the Finance, Legal, and Administrative Committee and adopted by the Board.

INLAND EMPIRE UTILITIES AGENCY
DEBT MANAGEMENT POLICY
May 2016

APPENDIX “A”

Definitions of Types of Debt

Bank Loans and Notes

Use of short-term borrowing, such as bank loans and notes, will be undertaken only if available cash or reserves are insufficient to meet both project needs and current obligations.

Capital Lease

Capital lease debt may be considered to finance capital improvements, including vehicles and equipment with an expected useful life of less than ten years. A capital lease is a lease in which the lessor finances the lease and all other rights of ownership transfer to the Agency.

Derivatives

The Agency may choose to enter into contracts and financing agreements involving interest rate swaps, floating/fixed rate auction or reset securities, or other forms of debt bearing synthetically determined interest rates as authorized under the applicable statutes. The Agency will consider the use of derivative products on a case-by-case basis and consistent with state statute and financial prudence. Before entering into such contracts or agreements, the Agency will review the risks and benefits of such financing techniques and expected impacts on the Agency’s long-term financial operations and credit ratings. The report, when completed, shall be presented to the Board of Directors through the Finance, Legal and Administration Committee for approval.

Lease-Purchase Financing

The use of lease-purchase agreements in the acquisition of vehicles, equipment and other capital assets shall be considered carefully relative to any other financing option. The lifetime cost of a lease typically will be higher than other financing options or pay-go purchases. Nevertheless, lease-purchase agreements may be used by the Agency as funding options for capital acquisitions if operational or cash-flow considerations preclude the use of other financing techniques.

INLAND EMPIRE UTILITIES AGENCY
DEBT MANAGEMENT POLICY
May 2016

On Bill Financing

The Agency may choose to enter into low or zero interest financing agreements with utility providers who offer On Bill Financing. This type of financing offers financing of business improvements little to no interest and no fees or costs to the Agency. Repayment amounts will be based on projected savings associated with the project and will be part of the monthly bill received from the issuer. Financing terms can range from three to ten years depending on the project to be financed.

Revenue Bonds

Revenue bonds issued by the Agency are long term obligations issued to fund a specific project or purpose. The Agency will generally issue revenue bonds on a fixed interest rate basis, wherein at the time of the bond sale all interest rates are known and do not change while those bonds are outstanding. Particular conditions may arise where the Agency would consider the use of variable interest rate bonds. Variable interest rate bonds have interest rates that reset on a periodic basis (e.g. daily, weekly, monthly, etc.). Revenue bonds are payable solely from Agency revenues in accordance with the agreed upon bond covenants.

Short Term Debt

Pending the issuance of bonds the Board may authorize the issue of short term debt. Short-term borrowing may be utilized for the temporary funding of operational cash flow deficits or anticipated revenues, where anticipated revenues are defined as an assured revenue source with the anticipated amount based on conservative estimates. The CFO/AGM will determine and utilize the least costly method for short-term borrowing. Such debt shall be authorized by resolution of the Board.

These short term notes may be structured as:

- **Bond Anticipation Notes (BANs)** - BANs are short term obligations that will be repaid by proceeds of a subsequent long-term bond issue. The Agency may choose to issue Bond Anticipation Notes as a source of interim construction financing. Before issuing such notes, financing for such notes must be planned for and determined to be feasible by the GM and/or CFO/AGM.
- **Commercial Paper (CP)** - CP is a form of bond anticipation notes that has maturities up to 270 days although it may be rolled to a subsequent maturity date. Tax Exempt Commercial Paper shall not be issued for Agency capital programs unless it is of sufficient economic size, as determined by the GM and/or CFO/AGM.
- **Tax and Revenue Anticipation Notes (TRANs)** - TRANs are short term notes secured by a pledge of taxes and other revenues in the current fiscal year. TRANs, if issued, will

**INLAND EMPIRE UTILITIES AGENCY
DEBT MANAGEMENT POLICY
May 2016**

constitute direct obligations of the Agency backed by the full faith and credit of the Agency. All TRANs will be redeemed in the same fiscal year in which they are issued. The Agency may choose to issue Tax Revenue Anticipation Notes to fund internal working capital cash flow needs, if such notes are judged by the GM and/or CFO/AGM to be prudent and advantageous to the Agency.

State Revolving Funds

The State Revolving Fund (SRF) loan is a low or zero interest loan program for the construction of wastewater treatment and sewage collection systems, water recycling facilities, storm water projects, implementation of nonpoint source and storm drainage pollution control management programs, and for the development and implementation of estuary conservation and management programs. SRF debt service payments are factored into debt service coverage ratios as defined by applicable water and wastewater indentures.

SRF loans are generally structured such that the Agency is required to contribute a percentage of the total project cost and receives loan proceeds from the State for the balance. The SRF loan interest rate is calculated by taking half of the True Interest Cost (TIC) of the most recent State of California General Obligation Bonds sale. The term of the loans can be 20 or, if applicable, an extended financing term of 30 years. When compared to traditional bond financing, the Agency may realize substantial savings as a result of the 20 or 30-year amortization period of the SRF Loans.

SRF Loans may provide additional assistance in the form of principal forgiveness. Principal forgiveness must be specified at the execution of the loan agreement for the amount forgiven to be counted against the total loan required to be provided by the SRF.

**ACTION
ITEM**

4D

Date: May 18, 2016

To: The Honorable Board of Directors

Through: Engineering, Operations, and Biosolids Management Committee
- (05/11/16)
Finance, Legal & Administration Committee (05/11/16)

From: *for* P. Joseph Grindstaff *adw*
General Manager

Submitted by: Chris Berch *CB*
Executive Manager of Engineering/Assistant General Manager

Sylvie Lee *SL*
Manager of Planning and Environmental Resources

Subject: Fiscal Year 2016/2017 Ten-Year Capital Improvement Plan

RECOMMENDATION

It is recommended that the Board of Directors approve the proposed Fiscal Year (FY) 2016/17-2025/26 Ten-Year Capital Improvement Plan (TYCIP).

BACKGROUND

Each year, pursuant to the terms of the Regional Sewage Service Contract based on estimated growth provided by each contracting Agency, the Agency submits a ten-year forecast of capacity demands and capital projects or Ten-Year Capital Improvement Plan (TYCIP) to the Regional Technical and Policy Committees. The current TYCIP identifies projects for the FY 2016/17 through FY 2025/26 that are needed for the rehabilitation, replacement, or expansion of the facilities owned or operated by the Agency to meet the projected increase of more than 34,000 new units over that time period.

Two major themes in the FY 2016/17 TYCIP are the continuing need for maintenance, repair, and replacement of aging equipment and facilities and the need for expansion of the regional system to meet future growth. Maintaining the Agency's facilities and infrastructure is critical to ensure the long-term reliability, compliance and quality of services that the Agency is committed to provide.

As noted in the 2015 Wastewater Facilities Master Plan, increased strength of influent wastewater is a major driving force for improvements at Agency treatment plants over the next 20 years. As

a result, major projects within the 10-year window include: the relocation of the RP-2 Solids Treatment Facility above the Prado floodplain; RP-5 liquid treatment expansion to accommodate the growth in the southern service area; and RP-1 process improvements to address aging infrastructure and capacity constraints.

While the TYCIP is instrumental for the on-going rate and budget discussions, it is intended to be a planning level document. Only projects that can be accommodated by the adopted budget will be initiated.

This item was presented to the Regional Technical and Policy Committees in March and April, and as an informational item to the Board of Directors in April. There have not been any substantial changes to the projects listed in the TYCIP since these meetings.

The TYCIP covers many programs and projects that directly align with several Agency Business Goals, including *Water Reliability, Wastewater Management, Environmental Stewardship, and Fiscal Responsibility*.

PRIOR BOARD ACTION

On March 18, 2015, the IEUA Board of Directors adopted the FY2015/16-2024/25 TYCIP.

IMPACT ON BUDGET

There is no direct impact on the budget as a result of the adoption of FY2016/17-2025/26 TYCIP.

Attachment: The TYCIP can be viewed at the following link:
<https://ieua.hostedftp.com/CY536XaoF8TqibOL8WyivMG4B>

Fiscal Year 2016/2017 Ten Year Capital Improvement Plan



Inland Empire Utilities Agency
A MUNICIPAL WATER DISTRICT

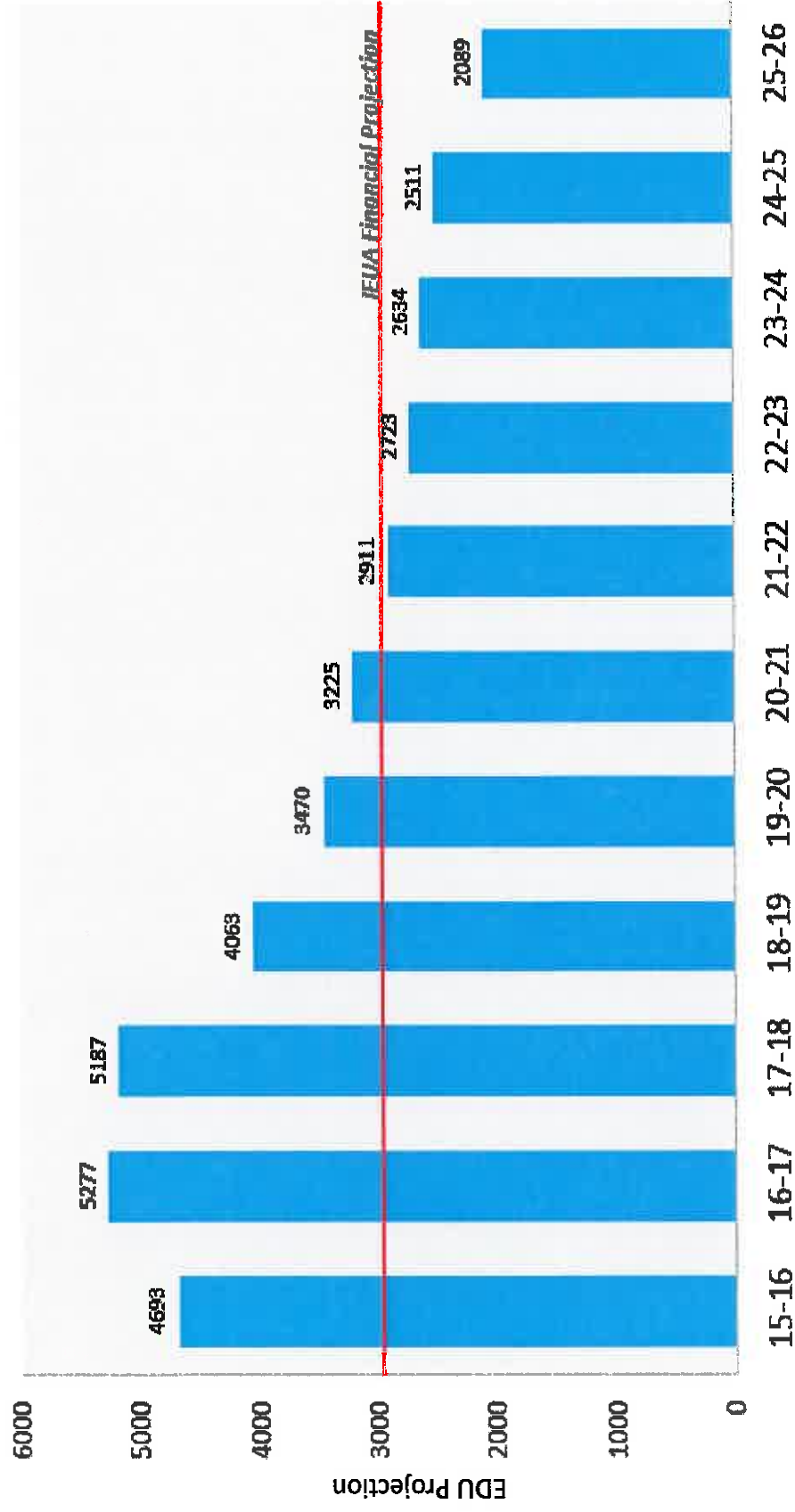
Elizabeth Hurst

IEUA Board of Directors Meeting
May 2016

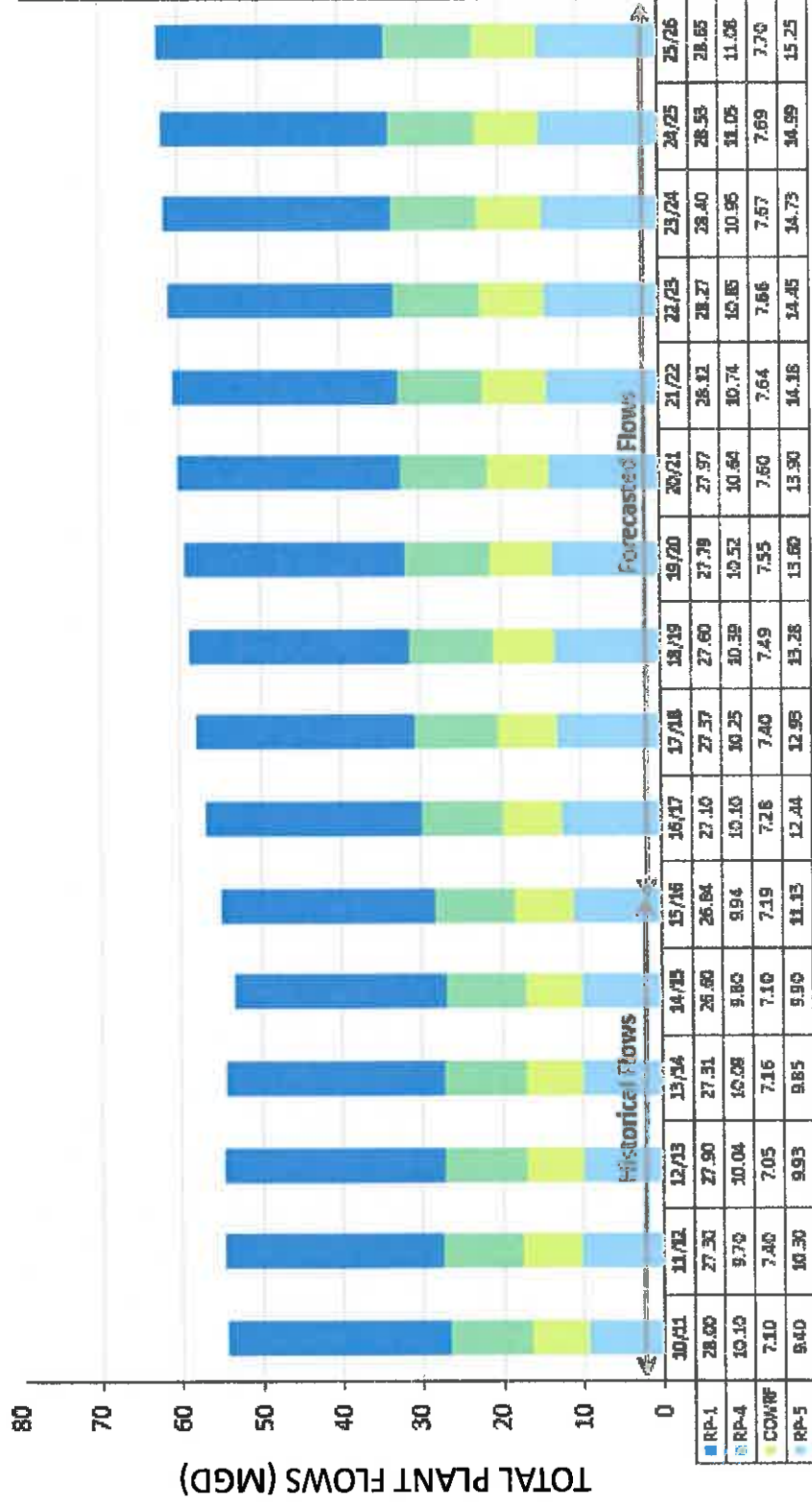
Key Drivers of the FY16/17 TYCIP

- Member Agency growth projections
- 2015 Wastewater Facilities Master Plan Updated flow factors and concentrations
- Asset Management Plan
- 2015 Recycled Water Program Strategy Update
- 2015 Energy Management Plan
- 2016 Integrated Resources Plan
- 2016 Water Use Efficiency Business Plan

10-Year EDU Growth Forecast



FY16/17-FY25/26 Member Agency Wastewater Flow Projections¹



¹ Flows estimated at 200 GPD/EDU

TYCIP Budget Estimate by Fund

	Description	FY 16/17	FY17/18	FY18-26	TYCIP Total
GG	Administrative Services Fund	\$ 4,648,012	\$ 1,680,200	\$ 6,738,600	\$ 13,066,812
NC	Non-Reclaimable Wastewater Fund	\$ 1,250,000	\$ 610,000	\$ 9,280,000	\$ 11,140,000
RC	Regional Capital Improvement Fund	\$ 22,104,400	\$ 24,329,000	\$ 338,965,000	\$ 385,398,400
RO	Regional Operations and Maintenance	\$ 24,270,520	\$ 35,305,000	\$ 79,282,000	\$ 138,857,520
RW	Recharge Water Fund	\$ 4,739,800	\$ 12,730,500	\$ 35,749,500	\$ 53,219,800
WC	Recycled Water Fund	\$ 14,738,063	\$ 28,458,458	\$ 41,845,000	\$ 85,041,521
WW	Water Resources Fund	\$ 6,344,195	\$ 4,550,000	\$ 35,020,000	\$ 45,914,195
	TOTAL	\$ 78,094,990	\$ 107,663,158	\$ 546,880,100	\$ 732,638,248

TYCIP Comparison to FY 15/16

Description		Existing FY15/16 TYCIP	Proposed FY16/17 TYCIP
GG	Administrative Services Fund	\$ 9.5 M	\$ 13.1 M
NC	Non-Reclaimable Wastewater Fund	\$ 17.2 M	\$ 11.1 M
RC	Regional Capital Improvement Fund	\$ 348.9 M	\$ 385.4 M
RO	Regional Operations and Maintenance	\$ 131.0 M	\$ 138.4 M
RW	Recharge Water Fund	\$ 49.3 M	\$ 53.2 M
WC	Recycled Water Fund	\$ 75.2 M	\$ 85.0 M
WW	Water Resources Fund	\$ 60.9 M	\$ 45.9 M
TOTAL		\$ 692.0 M	\$ 732.6 M



Recommendation


Approve the proposed Fiscal Year (FY) 2016/17-2025/26 Ten-Year Capital Improvement Plan (TYCIP).

The TYCIP covers many programs and projects that directly align with several **Agency Business Goals**, including **Water Reliability, Wastewater Management, Environmental Stewardship, and Fiscal Responsibility**.

**ACTION
ITEM**

4E



Date: May 18, 2016
To: The Honorable Board of Directors
From: Jean Cihigoyenette, General Counsel 
Subject: Retainer Agreement for Legal Services

RECOMMENDATION:

It is recommended that the Board of Directors approve a Retainer Agreement for Legal Services with JC Law Firm.

BACKGROUND:

Jean Cihigoyenette has served as General Counsel to the Agency for over twenty years. During that time, he has provided legal services through his partnership Cihigoyenette, Grossberg & Clouse, a Partnership of Professional Corporations. Effective June 14, 2016, that partnership will dissolve. Mr. Cihigoyenette will continue providing legal services to IEUA through his professional corporation doing business as JC Law Firm. A new Retainer Agreement is submitted to the Board of Directors to formalize that transition.

The proposed Retainer Agreement includes an adjustment in the rates charged for legal services. The current rates were established in 2013, and reflect an hourly rate of \$250 for partners and \$210 for associates. The proposed rates are \$300 per hour for partners and \$250 per hour for associates. Also, there a rate for paralegals of \$115 per hour, should a paralegal be utilized. The proposed rates are consistent with rates Mr. Cihigoyenette charges other districts/agencies.

PRIOR BOARD ACTION:

Board of Directors approved the original Retainer Agreement with Mr. Cihigoyenette in 1994. The agreement was most recently amended in April 2013.

IMPACT ON BUDGET:

If approved, the Retainer Agreement would result in an increase in the hourly rate for legal services from \$250 to \$300 per hour for partners of the firm and from \$210 to \$250 for associates of the firm. The proposed Retainer Agreement would also add a new category of charges for paralegals at the rate of \$115 per hour.

Attachment: Proposed Retainer Agreement



ATTORNEY-CLIENT FEE AGREEMENT

JC LAW FIRM (“Attorney”) and INLAND EMPIRE UTILITIES AGENCY, a municipal water district (“Client”) hereby agree that Attorney will provide legal services to Client on the terms set forth below.

1. CONDITIONS

This Agreement will not take effect, and Attorney will have no obligation to provide legal services, until Client returns a signed copy of this Agreement and Attorney acknowledges acceptance of representation by counter-signing this Agreement and returning a fully executed copy to Client. Upon satisfaction of these conditions, this Agreement will be deemed to take effect as of June 15, 2016.

2. SCOPE OF SERVICES AND ATTORNEY’S DUTIES

Client hires Attorney to provide legal services in the following matter: general legal services performed in the capacity as general counsel to Client and other legal services as requested from time to time by Client. Attorney will provide those legal services reasonably required to represent Client. Attorney will take reasonable steps to keep Client informed of progress and to respond to Client’s inquiries. If a court action is filed, Attorney will represent Client through trial and post-trial motions.

3. CLIENT’S DUTIES

Client agrees to be truthful with Attorney and not withhold information. Further Client agrees to cooperate, to keep Attorney informed of any information or developments which may come to Client’s attention, to abide by this Agreement, and to pay Attorney’s bills on time. Client will assist Attorney by timely providing necessary information and documents. Client agrees to appear at all legal proceedings when Attorney deems it necessary, and generally to cooperate fully with Attorney in all matters related to the preparation and presentation of Client’s claims.

4. LEGAL FEES AND BILLING PRACTICES

Client agrees to pay by the hour at Attorney’s rates as set forth below for all time spent on Client’s matter by Attorney and Attorney’s legal personnel. Current hourly rates for legal personnel are as follows:

Partners	\$300.00/hour
Associates	\$250.00/hour
Paralegals	\$115.00/hour

The time charged will include, but is not limited to, the time Attorney spends on telephone calls, e-mails, and other electronic communications relating to Client's matter, including calls and e-mails with Client, witnesses, opposing counsel, court personnel or other persons. The legal personnel assigned to Client's matter may confer among themselves about the matter, as required and appropriate. When they do confer, each person will charge for the time expended, as long as the work done is reasonably necessary and not duplicative. Likewise, if more than one of the legal personnel attends a meeting, court hearing or other proceeding, each will charge for the time spent unless otherwise agreed to by the parties. Time is billed in minimum increments one-tenth (.1) of an hour. Attorney will charge for waiting time in court and elsewhere and for travel time, both local and out of town.

5. COSTS AND OTHER CHARGES

- (a) Attorney will incur various costs and expenses in performing legal services under this Agreement. Client agrees to pay for all costs, disbursements, and expenses in addition to the hourly fees. The costs and expenses commonly include, service of process charges, filing fees, court and deposition reporters' fees, translator/interpreter fees, jury fees, notary fees, deposition costs, long distance telephone charges, messenger and other delivery fees, postage, outside photocopying and other reproduction costs, travel costs including parking, mileage, transportation, meals and hotel costs, investigation expenses, consultants' fees, expert witness, professional, mediator, arbitrator and/or special master fees and other similar items. The foregoing external costs and expenses will be charged at Attorney's cost. Internal charges are billed at the following rates: (1) mileage – IRS Standard Mileage Rate; (2) in-house printing and photocopying – .15 cents per page; (3) postage at cost; and (5) computerized legal research at cost.
- (b) Out-of-town travel. Client agrees to pay transportation, meals, lodging and all other costs of any necessary out-of-town travel by Attorney and Attorney's personnel. All such charges shall conform to Client's ordinances and internal policies governing regulation of costs and expenses.
- (c) Experts, Consultants and Investigators. To aid in the preparation or presentation of Client's case, it may become necessary to hire expert witnesses, consultants or investigators. Client agrees to pay such fees and charges. Attorney will select any expert witnesses, consultants or investigators to be hired, and Client will be informed of persons chosen and their charges.

6. OTHER FEES AND COSTS

Client understands that if Client's case proceeds to court action or arbitration, the court may award attorney fees as well as some or all of the type of costs enumerated in Paragraph 5 above to the other party or parties. Payment of such attorney fees and costs shall be the sole responsibility of Client. Similarly, other parties may be required to pay some or all of the fees and costs incurred by the Client. Client acknowledges that any such determination does not in and of itself affect the amount of the fees and costs to be paid by Client to Attorney pursuant to this agreement.

7. BILLS

Attorney will send Client periodic bills for fees and costs incurred. Each bill will be payable within 30 days of its mailing date. Client may request a bill at intervals of no less than 30 days. If Client so requests, Attorney will provide one within 10 days. Bills for the fee portion of the bill will include the amount, rate, basis for calculation, or other method of determination of the Attorney's fees. Bills for the cost and expense portion of the bill will clearly identify the costs and expenses incurred and the amount of the costs and expenses. Client agrees to promptly review all bills rendered by Attorney and to promptly communicate any objections, questions, or concerns about their contents.

8. CLIENT APPROVAL NECESSARY FOR SETTLEMENT

Attorney will not make any settlement or compromise of any nature of any of Client's claims without Client's prior approval. Client retains the absolute right to accept or reject any settlement.

9. DISCHARGE AND WITHDRAWAL

Client may discharge Attorney at any time. Attorney may withdraw with Client's consent or for good cause or if permitted under the Rules of Professional Conduct of the State Bar of California and/or applicable law. Among the circumstances under which Attorney may withdraw are: (a) with the consent of Client; (b) Client's conduct renders it unreasonably difficult for the Attorney to carry out the employment effectively; and/or (c) Client fails to pay Attorney's fees or costs as required by this Agreement. Notwithstanding the discharge, Client will remain obligated to pay Attorney at the agreed rates for all services provided and to reimburse Attorney for all costs advanced.

10. CONCLUSION OF SERVICES

When Attorney's services conclude, whether by completing the services covered by this Agreement, or by discharge or withdrawal, all unpaid charges for fees or costs will be due and payable immediately.

Client may have access to Client's case file at Attorney's office at any reasonable time. At the end of the engagement, Client may request the return of Client's case file. If Client has not requested the return of Client's file, and to the extent Attorney has not otherwise delivered it or disposed of it consistent with Client's directions, Attorney will retain the case file for a period of 5 years after which Attorney is authorized by this agreement to have the case file destroyed. If Client would like Attorney to maintain Client's case file for more than 5 years after the conclusion of Attorney's services for Client on a given matter, a separate written agreement must be made between Attorney and Client, which may provide for Client to bear the cost of maintaining the file. In the event Client requests that Attorney transfer possession of Client's case file to Client or a third party, Attorney is authorized to retain copies of the case file at Attorney's expense. The case file includes Client papers and property as defined in Rule 3-700(D)(1) of the California Rules of Professional Conduct.

11. DISCLAIMER OF GUARANTEE AND ESTIMATES

Nothing in this Agreement and nothing in Attorney's statements to Client will be construed as a promise or guarantee about the outcome of the matter. Attorney makes no such promises or guarantees. Attorney's comments about the outcome of the matter are expressions of opinion only, are neither promises nor guarantees, and will not be construed as promises or guarantees. Any deposits made by Client, or estimate of fees given by Attorney, are not a representation of a flat fee and will not be a limitation on fees or a guarantee that fees and costs will not exceed the amount of the deposit or estimate. Actual fees may vary significantly from estimates given.

12. PROFESSIONAL LIABILITY INSURANCE DISCLOSURE

Pursuant to California Rule of Professional Conduct 3-410, I am informing you in writing that I have professional liability insurance.

13. NO TAX ADVICE

Attorney has not been retained to provide Client with any tax advice concerning any of the services described in paragraph 2. Any documents prepared by Attorney may have specific tax ramifications. To be sure Client understands and is certain of all the potential tax consequences, Client should consult with tax advisors regarding these matters.

14. ENTIRE AGREEMENT

This Agreement contains the entire agreement of the parties. No other agreement, statement, or promise made on or before the effective date of this Agreement will be binding on the parties.

15. SEVERABILITY IN EVENT OF PARTIAL INVALIDITY

If any provision of this Agreement is held in whole or in part to be unenforceable for any reason, the remainder of that provision and of the entire Agreement will be severable and remain in effect.

16. MODIFICATION BY SUBSEQUENT AGREEMENT

This Agreement may be modified by subsequent agreement of the parties only by an instrument in writing signed by both of them.

17. EFFECTIVE DATE

This Agreement will govern all legal services performed by Attorney on behalf of Client commencing with the date Attorney first performed services. The date at the beginning of this Agreement is for reference only. Even if this Agreement does not take effect, Client will be obligated to pay Attorney the reasonable value of any services Attorney may have performed for Client.

THE PARTIES HAVE READ AND UNDERSTOOD THE FOREGOING TERMS AND AGREE TO THEM AS OF THE DATE ATTORNEY FIRST PROVIDED SERVICES. IF MORE THAN ONE CLIENT SIGNS BELOW, EACH AGREES TO BE LIABLE, JOINTLY AND SEVERALLY, FOR ALL OBLIGATIONS UNDER THIS AGREEMENT. CLIENT WILL RECEIVE A FULLY EXECUTED COPY OF THIS AGREEMENT.

DATED: May ____, 2016

INLAND EMPIRE UTILITIES AGENCY

By: _____
Terry Catlin, President
Board of Directors
Client

DATED: May ____, 2016

INLAND EMPIRE UTILITIES AGENCY

By: _____
Steve Elie, Secretary
Board of Directors
Client

ATTORNEY

DATED: May ____, 2016

By: _____
Jean Cihigoyenette, APC,
dba JC Law Firm


**INFORMATION
ITEM**


5A


Date: May 18, 2016

To: The Honorable Board of Directors

Through: Finance, Legal, and Administration Committee (05/11/16)

From:  P. Joseph Grindstaff
General Manager

Submitted by:  Christina Valencia
Chief Financial Officer/Assistant General Manager

 Javier Chagoyen-Lazaro
Manager of Finance and Accounting

Subject: FY 2016/17 Proposed Amended Budget

RECOMMENDATION

It is an information item for the Board of Directors to review and provide comments.

BACKGROUND

The Agency's first biennial budget of FYs 2015/16 and 2016/17 was adopted by the Board in June 2015, along with the multi-year rates for the Regional Wastewater Operation and Maintenance (RO), the Regional Wastewater Capital Improvement (RC), and the Recycled Water (WC) funds. In March 2016, a review of the proposed changes to the FY 2016/17 adopted operations and maintenance (O&M) budget was presented to the Board. The March overview was also provided to the Regional Technical and Policy Committees. The overview included an update of the changes to the Water Resources (WW) fund rate structure and draft rates still under discussion with the water member agencies. No changes to the capital improvement plan (CIP) were presented, as review of the FYs 2016 - 2025 Ten Year Capital Improvement Plan (TYCIP) was still underway.

Following is a summary of the proposed changes (amendments) to the FY 2016/17 O&M adopted budget and TYCIP, followed by an overview of each fund and proposed amendments. A summary of budget amendments by fund is also provided in Exhibit A.

FY 2016/17 Amended Budget (All Funds)

Total revenue and other sources of funds of \$258 million adopted for FY 2016/17 is being reduced to \$230 million. The following adjustments account for the \$28 million reduction:

- \$13.4 million adjusted in water sales based on changes in estimated water deliveries
- \$10.5 million of reduced revenue from new connection fees; \$9 million in Regional Wastewater Capital Improvement (RC) fund and \$1.5 million in Recycled Water (WC) fund. The number of new wastewater connections was decreased to 3,000 units from the adopted 4,580 units. New water connection units were adjusted downward from 4,167 units to 2,730 units. The reduced projections are consistent with the member agencies more recent forecast as of October 2015.
- \$3.8 million decrease in state loan and grants receipts to align with the extended project execution timeline.
- \$3.7 million of reduction in user charges; \$5.1 million reduction in the Water Resources (WW) fund due to rate restructuring on proposed water rates being offset by increase in volumetric EDU revenue of \$1.4 million based on prior year favorable growth.
- \$0.9 increase in other revenue; \$1.2 million increase in inter-fund loan from Regional Wastewater Operations and Maintenance (RO) fund to Administrative Service (GG0 fund and offset by projected decrease in interest revenue.
- \$2.3 million increase in property tax receipts based on projected growth of 6 percent in FY 2015/16 from FY 14/15 and assume a 3 percent increase in FY 2016/17.

Property Tax Allocation by Fund

Total property tax receipts were increased from \$42.4 million in the FY 16/17 adopted budget to \$44.7 million. The 6% increase is based on higher than projected receipts in the current fiscal year. Table 1 provides a summary of property tax allocation by fund.

Table 1: FY 2016/17 Property Tax Allocation by Fund (\$Millions)

Fund	Allocation %	2016/17 Adopted	Allocation %	2016/17 Amended
RC Fund	65%	\$27.6	65%	\$29.1
RO Fund	22%	9.3	21.3%	9.5
WC Fund	5%	2.1	4.9%	2.2
WW Fund	4%	1.5	4.4%	1.9
GG Fund	4%	1.9	4.4%	2.0
Total	100%	\$42.4	100%	\$44.7

Property taxes were first allocated to the WW fund in FY 2014/15 from the Administrative Service (GG) fund to support regional water resource initiatives not supported by the proposed water rates, such as Santa Ana River Conservation and Conjunctive Use Program (SARCCUP), Integrated Resources Plan (IRP) Phase II drought resiliency projects, and supplemental water purchases and storage.

In order to adequately finance these regional investments without impacting program rates, beginning in FY 2017/18 all future growth in property tax receipts allocated to the RO, WC and GG funds will be re-allocated to the WW fund. Going forward, property tax receipts for the RO, WC and GG fund will be “fixed” at the FY 2016/17 amended amount as reported in Table 1.

No change is proposed for the allocation to the RC fund. Consistent with past practice, the annual allocation of total property taxes to the RC fund will continue at 65 percent, including related growth. The 65 percent relates to the portion of Improvement District “C” (IDC) taxes collected prior to the adoption of Proposition 13 in 1978.

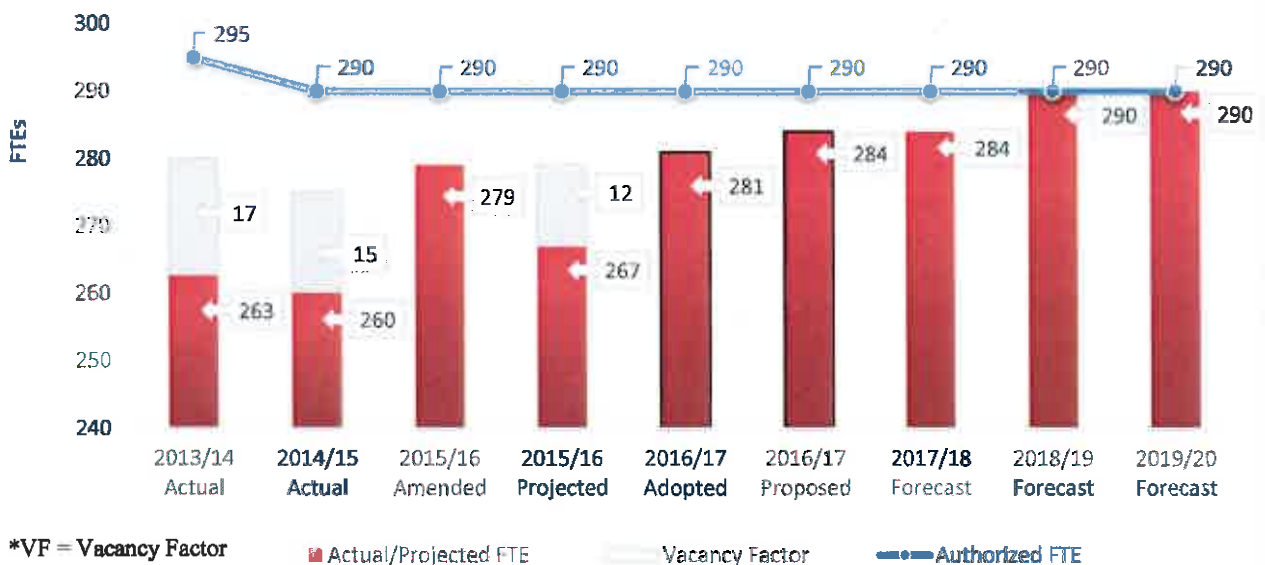
Total Expenses and Other Uses of Funds

The total expenses and other uses of funds adopted for FY 2016/17 were \$227.7 million. The proposed FY 2016/17 budget reflects an increase of \$7.8 million to \$235.5 million. The primary driver is an increase of \$7.8 million in Capital Improvement Plan (CIP) expenditures mainly due to changes in project schedules.

Staffing and Employment Costs

No changes to the 290 authorized full time equivalent (FTE) staff level as adopted in the biennial budget. The Agency’s vacancy factor projected a decrease from 8.6 percent (actual average over the last three fiscal years) to 4 percent in FY 2015/16 and 2 percent in FY 2016/17 (Figure 1). The reduction in the vacancy factor will help support the Agency’s implementation of succession planning without the need to increase the 290 authorized FTEs. The reduced vacancy factor resulted in an increase of approximately \$590,000 in employment costs (wages and benefits) for FY 2016/17.

Figure 1: Employment Cost and Staffing Trend

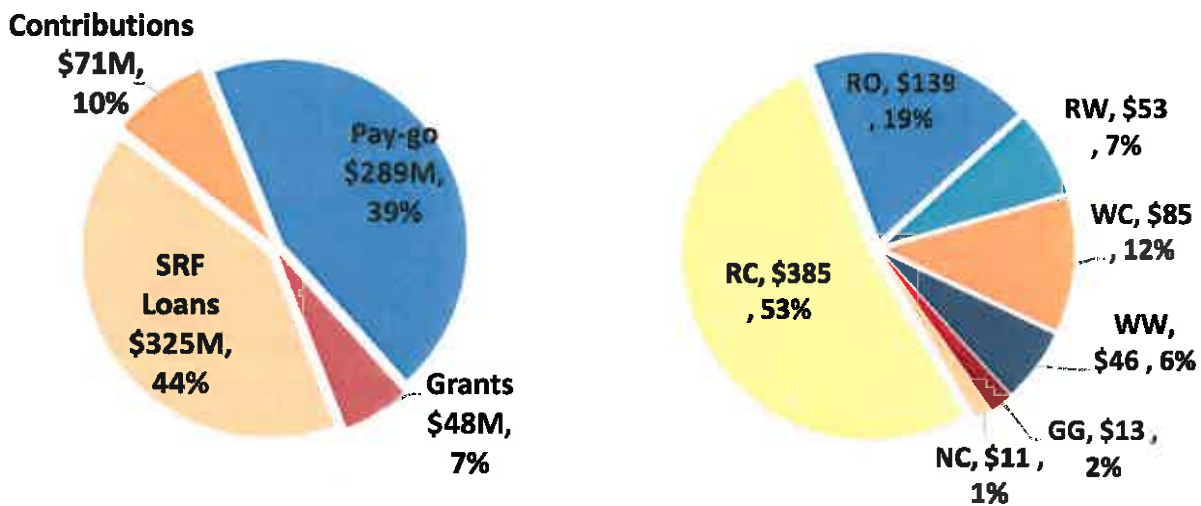


Additional changes to the FY 2016/17 amended budget are expected as program rates for the WW fund and the Non-Reclaimable Wastewater (NC) fund are finalized. The WW and NC fund amended budget and program rates will be brought back to the Board for final review and approval in June.

Ten Year Capital Improvement Plan (TYCIP)

The amended FY 2016/17 – 2025/26 TYCIP of \$733 million, as presented to the Board in May 2016, includes \$126 million for O&M projects and \$607 million for capital projects. The amended Capital Improvement Plan (CIP) for FY 2016/17 is \$84 million; \$24 million for O&M projects and \$60 million for capital projects. As indicated in Figure 1, approximately 61 percent will be funded by State Revolving Fund (SRF) loans and grants, and other receipts. The remaining 39 percent will be supported by pay-go which includes connection fees, user charges, and property tax receipts.

**Figure 2: TYCIP Funding Sources and by Fund
 \$733 Million**



A list of the major projects and changes in the FY 2016/17 adopted budget are included in the individual fund sections below.

Debt service

Total proposed debt service in FY 2016/17, net of financial expenses and inter-fund loans, is estimated at approximately \$21.6 million. This is slightly lower than the adopted debt service of \$22.3 million.

Table 2: Debt Service Cost by Type (\$Millions)

	2014/15 Actual	2015/16 Projected	2016/17 Adopted	2016/17 Amended	Change
Bonds	\$29.9	\$13.8	\$14.2	\$14.1	(\$0.1)
SRF Loans	4.8	6.6	7.2	6.7	(0.5)
Notes	0.8	0.8	0.9	0.8	(0.1)
Total	\$35.5	\$21.2	\$22.3	\$21.6	(\$0.7)

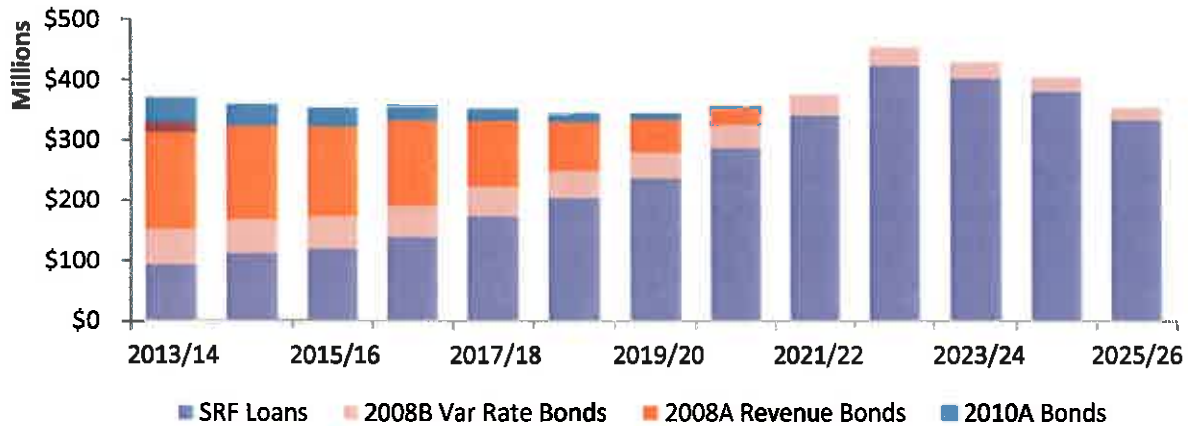
*FY 2014/15 - 2005A Bond defeasance
 Excluding financial expenses, inter-fund loan and interest*

The fluctuation in the total outstanding amount is due to new SRF loan borrowing requirements anticipated over the next ten years, the planned defeasance of the 2008A Revenue Bonds (2008A Bonds). The early repayment of the 2008A Bonds with an outstanding principal balance of \$125 million and annual interest rate of 5 percent is planned over a five year period beginning in FY 2017/18 when the bonds are eligible for refunding. At an interest rate of 5 percent and scheduled maturity of 2038, total interest savings are estimated at \$80 million with present value savings of over \$50 million. Staff will closely monitor the Agency's financial position and adjust the repayment period as needed to ensure funding is available to support operations, required capital investments, and other Agency obligations.

The projected Agency DCR for FY 2016/17 is 2.62 compared to the adopted DCR of 3.19. The change is driven by an increase in overall operating costs. The Debt Coverage Ratio (DCR) serves as a critical financial indicator in determining the Agency's overall credit rating, its ability to refinance existing debt and issue new debt, and Agency accessibility to lower rates for future borrowing costs. Current bond covenants require the Agency to maintain a minimum total debt ratio (DCR) of 1.25 times (x) or higher on total outstanding debt. The Agency has no legal debt limits imposed by state legislation.

As of June 30, 2016, total outstanding debt (principal and interest), excluding financial expenses and inter-fund loans, is estimated at \$365 million, as reported in Figure 3 which includes the estimated trend in outstanding debt, excluding notes payable and inter-fund loans through FY 2025/26. During the next ten years the Agency is planning to replace outstanding bond indebtedness with SRF loans, as a cheaper alternative to fund the capital projects included in the TYCIP.

Figure 3: Summary of Agency’s Outstanding Debt (\$Millions)



As shown in Figure 3 above, bond debt declines while SRF loan debt continues to increase. The primary driver for this change is the FY 2017/18 to FY 2020/21 pay down of the 2008A bonds and increasing SRF loan debt to finance major expansion projects. SRF loans are projected for the preliminary design and the RP-1 and RP-5 expansion projects and the RP-5 Solids Handling Facility.

FY 2016/17 Amended Budget by Fund

Water Resource (WW) Fund

Proposed Water Rates

In 2014 the Agency engaged Carollo Engineering to perform a rate study analysis of the potable water rates. The study identified some structural deficiencies in the existing rate structure. The final report issued in March 2015 (IEUA 2015 Water Rate Study) recommended restructuring of the rates to better align the collection and incurrence of program costs. Given the potential fiscal impact to ratepayers, water member agencies requested deferring implementation of the proposed rate restructuring to FY 2016/17.

AF Surcharge

The AF surcharge, currently at \$15 per acre foot (AF), applied to MWD imported water deliveries will be eliminated. Under the proposed water rates, program costs covered by the AF surcharge will be supported by the MEU rate.

Readiness to Serve (RTS) Pass-Through Fees

Currently IEUA collects the MWD RTS pass-through fees through the monthly meter charge. The meter charge is based on an account or fixed basis regardless of the meter size. MWD bills RTS based on water use over a ten year rolling average (TYRA). Under the proposed restructuring, the Agency will pass through RTS using MWD’s TYRA methodology. This change has a significant

impact to water agencies that purchase a greater portion of the MWD water deliveries. Member agencies requested an extended phase-in period of seven (7) years in alignment with the implementation of the proposed recycled water surcharge for use over entitlement.

Monthly Meter Charge/MEU Rate

Currently, approximately 80 percent of the monthly meter charge imposed on all potable water connections is applied to recover the MWD RTS pass-through fees. The remaining 20 percent is allocated to support operating costs for the water resources program, including a small portion of the regional conservation program.

Under the proposed rates, the monthly meter charge rate will be restructured from an account based (total number of customer accounts) to a meter equivalent unit (MEUs). One MEU will be equivalent to a 5/8" or 3/4" meter. A higher MEU will be applied to larger size meters. For example, a 1" meter will be equivalent 2.5 MEUs. The revenue generated from MEUs will support the water resource program costs, a portion of which was previously supported by the acre foot (AF) surcharge rate.

The use of the MEU rate to support a primarily "fixed" program cost will provide more stable funding for the management of water resource initiatives, including the Agency's regional conservation and water use efficiency programs.

Proposed Water Rates

Since January 2016, numerous review sessions with the water member agencies have been held to analyze the program costs to be supported by the proposed water rates. Throughout this review period, significant changes have been made to the refine the program costs to be supported by the proposed rates and the implementation period. Some of the significant changes include;

- Removal of direct costs associated with the Santa Ana River Conservation and Conjunctive Use Program (SARCCUP), Integrated Resources Plan (IRP) Phase II projects, and purchases of supplemental water supplies from program costs to be supported by the MEU rate,
- Seven year phased implementation of the MWD RTS Ten Year Rolling Average (TYRA) direct charge to member agencies,
- Use of property taxes to cover the RTS fees not recovered through the TYRA direct charge during the seven year implementation period,
- Reduction in the minimum fund balance reserves from \$6 million to \$1.6 million (Operating Contingency only). The significant reduction is due to the elimination of the reserve to support payment to MWD in the event of default by a water agency. The recommendation from the member agencies is for the Agency to rely on reserves already maintained by each of the water agencies, and
- Forgiveness of the \$4.3 million inter-fund loans due to the Administrative Services (GG) fund by the WW fund, subject to the Board's approval of the member agencies formal request.

All of these significant changes, including the forgiveness of the inter-fund loans, are reflected in the proposed rates as summarized in Table 3.

Table 3: Proposed Multi-Year Water Rates

	FY 2015/16 Current	FY 2016/17 Amended	FY 2017/18 Forecast	FY 2018/19 Forecast	FY 2019/20 Forecast	FY 2020/21 Forecast	FY 2021/22 Forecast	FY 2022/23 Forecast
AF Surcharge	\$15.0	n/a	n/a	n/a	n/a	n/a	n/a	n/a
RTS Ten Year Rolling Average	n/a	15% ~\$7.82	30% ~\$16.02	45%	60%	75%	90%	100%
Water Meter Rate/Account	\$2.105	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Meter Equivalent Units (MEU)	n/a	\$0.90	\$0.95	\$0.99	\$1.04	Adjustments based on CPI		

Other Funding Sources

Beginning in FY 2014/15, a portion of property taxes was re-allocated from the GG fund to the WW fund to support program costs not covered by existing rates and charges. In addition to the \$3 million of property tax reallocated to date (\$1.5 million in FY 2014/15 and \$1.5 million in FY 2016/17), additional transfers will be needed to support the seven year phased implementation of the RTS TYRA. Table 4 provides a summary of projected property tax transfers from the GG fund to the WW fund.

Table 4: Projected Property Tax Transfers from GG Fund

\$ Millions	FY 2016/17	FY 2017/18	FY 2018/19	FY 2019/20	FY 2020/21	FY 2020/22	Total
Property Taxes (RTS Deficit)	\$2.7	\$2.3	\$1.8	\$1.4	\$0.9	\$0.4	\$9.5
Other property tax support	\$1.2	\$0.1	\$2.3	\$2.8	\$2.7	\$3.5	\$12.6
Total Property Tax Allocation	\$3.9	\$2.4	\$4.1	\$4.2	\$3.6	\$3.9	\$22.1

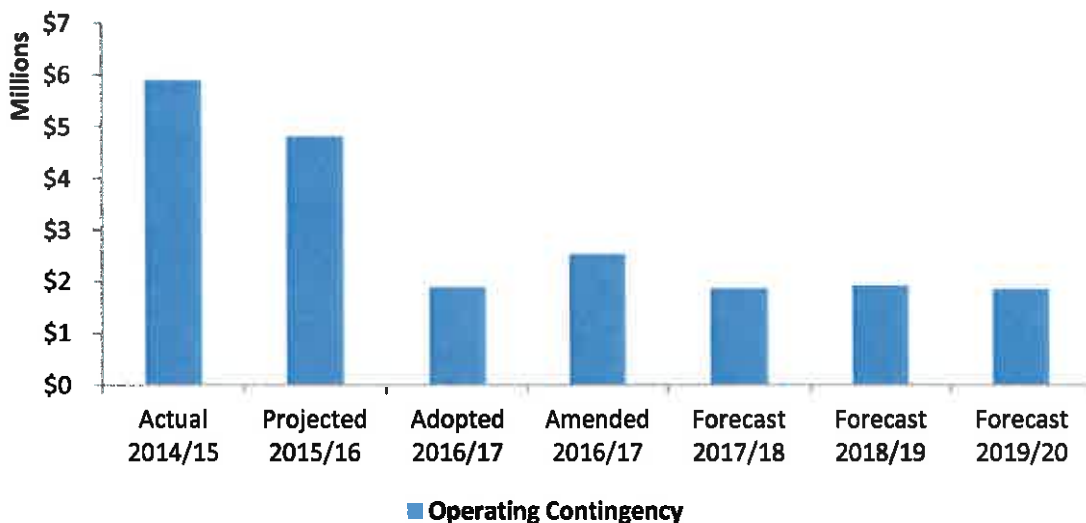
Property taxes allocated to the WW fund not needed to support the RTS TYRA seven year implementation will be designated to regional water resources initiatives not supported by the proposed rates. These initiatives include SARCCUP, IRP Phase II drought resiliency projects, and supplemental water purchases and storage.

In addition to the property tax allocations, inter-fund loans were also needed to support program costs. At the end of FY 2014/15 a total of \$4.3 million in inter-fund loans had been issued to support both operating costs (\$1.3 million) and expansion of the turf removal program (\$3 million). Another \$3.2 million loan from the RO fund may be needed to support supplemental water purchases in FY 2016/17.

As aforementioned, the water member agencies are expected to submit a formal request to the Board to request forgiveness of the \$4.3 million inter-fund loans due to the GG fund. The draft rates include the forgiveness of the inter-fund loans.

The WW fund estimated ending fund balance for FY 2016/17 of \$2.5 million is slightly higher than the \$1.9 million reported in the adopted budget. As shown in Figure 3 below, the fund balance is projected to slightly decline over the ensuing three fiscal years. The primary drivers are higher project expenditures such as the SARCCUP and other regional water resources initiatives beginning in FY 2017/18.

Figure 4: WW Fund Reserve Balance



Regional Wastewater Capital Improvement (RC) Fund

A major revenue source for the RC fund is the fees levied for new connections to its regional wastewater system, referred to as wastewater connections fees. Pursuant to the Regional Sewage Service Contract (Regional Contract), member agencies collect and hold these funds in a trust account (Capital Construction Reimbursement Accounts) until they are “called” or requested by the Agency to support planned capital expenditures for the regional wastewater system.

Table 5: Wastewater Connection Fee Rates

	FY 2015/16		FY 2016/17		FY 2017/18	FY 2018/19	FY 2019/20
<i>Effective Date</i>	7/01/15	1/01/16	7/01/16	01/01/17	7/01/17	7/01/18	7/01/19
Wastewater Connection Fee	\$5,107	\$5,415	\$5,415	\$6,009	\$6,309	\$6,624	\$6,955

The proposed number of new EDU connections has been reduced as the result of revised data submitted by member agencies. The proposed budget projects for FY 2016/17 3,000 new EDU connections and \$17.1 million of related revenue. This is a reduction of \$9.1 million as compared to the adopted budget of 4,580 new EDU connections and \$26.2 million revenue.

The total number of new connections between FY 2015/16 through FY 2019/20 as projected by the member agencies is shown in Table 6 below.

Table 6: Member Agency Wastewater Connection Estimates with Proposed Budgeted Connections

New Wastewater Connections	FY 2015/16	FY 2016/17	FY 2017/18	FY 2018/19	FY 2019/20	5 Year Total
Projected for 2015/16	5,849	6,185	5,045	4,470	4,453	26,002
Projected for 2016/17	4,693	5,277	5,187	4,063	3,470	22,690
FY 2016/17 Proposed New Connections	4,330	3,000	3,000	3,000	2,700	16,030

Property tax receipts are another major funding source for the RC fund. Consistent with past practice, approximately 65 percent, or \$29.1 million in FY 2016/17, of property tax is allocated to the RC fund. The 65 percent relates to the portion of Improvement District “C” (IDC) taxes collected prior to the adoption of Proposition 13 in 1978.

An additional 3 percent increase in total property tax receipts is assumed for FY 2016/17 based on favorable estimated growth of 6 percent in FY 2015/16. Property tax receipts budgeted in the RC fund is first allocated to support debt service costs of \$13.5 million in FY 2016/17. The remaining portion of property taxes is designated to support the Regional wastewater CIP. Key changes in the RC fund revenue and other funding sources FY 2016/17 adopted budget are summarized below in Table 7.

Table 7: RC Fund Major Revenues and Other Funding Sources

\$Millions	Major Funding Sources	Adopted FY 2016/17	Amended FY 2016/17	Change	Key Assumptions
Regional Wastewater Capital (RC)	Wastewater Connections Fees	\$26.2	\$17.1	(\$9.1)	Reduced from 4,580 units to 3,000 units based on revised member agency count.
	Property Tax Receipts	27.6	29.1	1.5	An additional 3% increase in FY 2016/17 based on year to date receipts.
	SRF Loan	0.0	2.9	2.9	Proceeds for the RP-1 and RP-5 Expansion PDR SRF planning loan.
	Interest and Other Revenue	2.5	1.1	(1.4)	Interest rates lower than anticipated.
	Total	\$56.3	\$50.2	(\$6.1)	

Inter-fund transfers from the RC fund support debt service and capital expenditures. The increase over the adopted FY 2016/17 budget is due to higher capital costs in the Administrative Service (GG) fund. Table 8 summarizes the key changes to RC fund expenses and other uses of funds.

Table 8: RC Fund Major Expenses & Other Uses of Funds

\$Millions	Major Uses of Funds	Adopted FY 2016/17	Amended FY 2016/17	Change	Key Assumptions
Regional Wastewater Capital (RC)	Operating Expenses	\$6.3	\$9.5	\$3.2	Program costs to support increase of the Regional CIP.
	Debt Service Costs	13.7	13.5	(0.2)	Interest rates lower than anticipated. Includes principal & interest for the 2008A, 2008B and 2010A bonds.
	Capital Improvement Plan (CIP)	15.3	20.0	4.7	See Table 7 for summary of major capital projects.
	Inter-Fund Transfers	7.5	9.5	2.0	Support GG fund CIP.
	Total	\$42.8	\$51.5	\$8.7	

A total of \$20 million of capital project costs is budgeted in FY 2016/17, an increase of \$4.7 million over the previously adopted budget. The major projects are listed in Table 9 below.

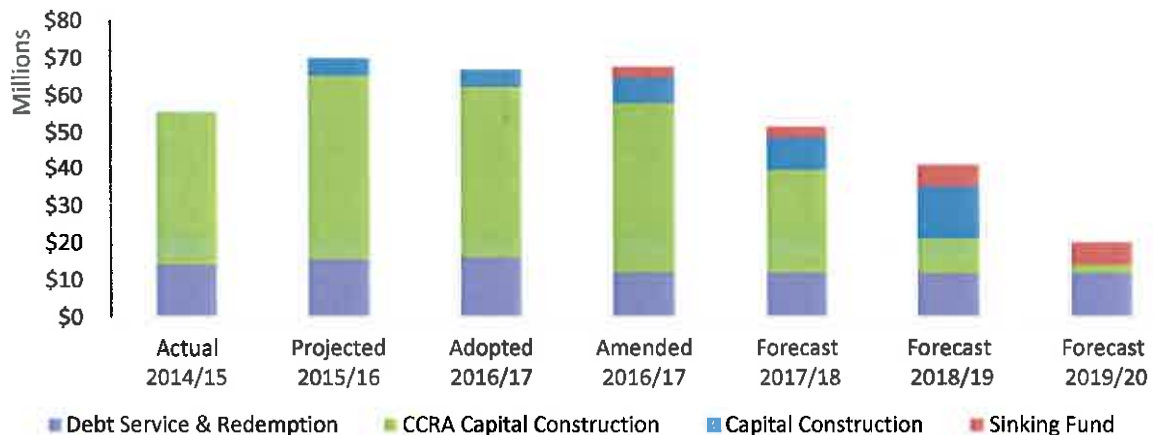
Table 9: RC Fund Major Capital Projects

\$Millions	Project	Adopted FY 2016/17	Amended FY 2016/17
RC Fund	RP-2 Relocation/ RP-5 Solids Treatment Facility	\$4.0	\$3.1
	RP-1 Mixed Liquor Return Pump	3.0	2.4
	RP-1 and RP-5 Expansion PDR	2.0	2.2
	RP-4 Chlorination Facility Retrofit	1.5	1.0
	RP-1 Headworks Primary & Secondary Upgrade	-	1.5
	San Bernardino Ave. Gravity Sewer	-	1.3
	RP-5 Expansion to 30 MGD	-	1.2
	All Other Regional Capital Projects	4.8	7.3
	Major Capital Projects	\$15.3	\$20.0

The RC fund estimated ending fund balance for FY 2016/17 of \$67.5 million is slightly higher than the \$66.7 million reported in the adopted budget. As shown in Figure 3 below, the fund balance is projected to drop over the ensuing three fiscal years. The primary drivers are higher capital expenditures on major plant expansions and the early retirement of the 2008A Bonds beginning in FY 2017/18.

A sinking fund is also being established beginning in FY 2016/17 to support the early repayment of the 2008A Bonds. Future capital calls against the Capital Construction Reimbursement Accounts (CCRAs) held by member agencies will be a primary funding source for the sinking fund.

Figure 5: RC Fund Reserve Balance by Type



Regional Wastewater Operations and Maintenance (RO) Fund

The key revenue and funding sources for the RO fund include: EDU volumetric charges, property taxes, and reimbursement from the Inland Empire Regional Composting Authority (IERCA) for labor and operating costs. Major expenses include operating costs for the collection, treatment, and disposal of wastewater, maintenance and capital replacement and rehabilitation (R&R) costs of regional facilities and infrastructure, and organic management activities. The bio-solids recycling budget includes tipping fees paid to the IERCA for processing of bio-solids from all of the Agency’s facilities.

Pursuant to the Agency’s commitment to have rates that fully recover the cost of service, incremental increases to the monthly EDU volumetric rate were adopted for five fiscal years in FY 2014/15, as reported in Table 5. The initial assumptions of achieving full cost of service, or recovery of O&M, Replacement & Rehabilitation (R&R), and debt service costs, was projected to be reached in FY 2018/19. Due to increased replacement and rehabilitation (R&R) project costs, full cost of service may not be achieved until FY 2020/21. No change in the adopted EDU volumetric rates is proposed. Property taxes will continue to be used to support program costs not supported by the adopted rates.

Table 10: Adopted EDU Volumetric Rates FYs 2015/16 – 2019/20

Rate Description	FY 2014/15	FY 2015/16	FY 2016/17	FY 2017/18	FY 2018/19	FY 2019/20
EDU Volumetric Rate	\$14.39	\$15.89	\$17.14	\$18.39	\$19.59	\$20.00
Effective Date		10/01/15	07/01/16	07/01/17	07/01/18	07/01/19

The RO fund FY 2016/17 amended revenue and other funding sources are estimated at \$86.8 million, an increase of 2.2 million compared to the adopted budget of \$84.6 million. The primary change is the increase in volumetric EDU revenue due to favorable growth in volumetric units in both FY 2014/15 (2.5%) and FY 2015/16 (0.5%) compared to the budgeted 0.25% annual growth. The higher number of EDUs increased the projected volumetric EDU revenue from \$54.9 million to \$56.2 million with the same 0.25% growth assumption. Table 11 highlights the changes in major revenue and other funding sources.

Table 11: RO Fund Major Revenues and Other Funding Sources

\$Millions	Major Funding Sources	Adopted FY2016/17	Amended FY 2016/17	Change	Key Assumptions
Regional Wastewater Operations and Maintenance (RO)	Volumetric EDU Revenue	\$55.0	\$56.4	\$1.4	Favorable growth in volumetric EDUs in FY 2014/15 and FY 2015/16. Proposed FY 16/17 revenue assumes 0.25% growth
	Property Tax Receipts	9.3	9.5	0.2	An additional 3% increase in FY 2016/17 based on year to date receipts.
	State Loans	7.7	7.7	0.0	Water Quality laboratory project
	Grants	3.5	3.5	0.0	South Archibald Plume Cleanup Project
	Other Revenues	4.6	4.6	0.0	Reimbursement of IERCA labor costs
	Inter-Fund Transfers	4.5	5.1	0.6	Transfer from RC for LAB project, and from WC for the SCADA system project.
	Total		\$84.6	\$86.8	\$2.2

The amended RO fund FY 2016/17 total expenses and other uses of funds are estimated at \$89.2 million compared to the adopted budget of \$75.5 million as indicated in Table 10. The increase of \$13.7 million includes a \$3.2 million inter-fund loan to the WW fund to support purchase of supplemental water supplies, and an increase of \$7.5 million in R&R projects.

Table 12: RO Fund Major Expenses & Other Uses of Funds

\$Millions	Major Uses of Funds	Adopted FY 2016/17	Amended FY 2016/17	Change	Key Assumptions
Regional Wastewater O&M (RO)	Operating Expenses	\$62.0	\$66.5	\$4.5	Changes in Plume project schedule
	Debt Service Costs	0.2	3.4	3.2	Includes a \$3.2 million inter-fund loan to WW fund for supporting purchase of supplemental water

\$Millions	Major Uses of Funds	Adopted FY 2016/17	Amended FY 2016/17	Change	Key Assumptions
	Capital Improvement Plan (CIP)	11.8	19.3	7.5	Added new projects for Agency-wide pump efficiency, RP-2 dry bed rehabilitation, etc.
	Inter-Fund Transfers	\$1.5	0	(1.5)	Support RC fund project; RP-5 solids handling facility
	Total	\$75.5	\$89.2	\$13.7	

The Amended FY 2016/17 total expenses and other uses of funds includes \$26.9 million of project expenses for both capital and operations and maintenance (O&M) projects. The funding sources for these projects include grants, loans, volumetric EDU rates and portion of property tax receipts. The major RO fund projects are listed below in Table 13. The \$3.0 million expense for the Chino Basin Groundwater Supply Wells and Raw Water Pipeline project in FY 2016/17 will be funded by grants. A combination of grants, contributions and property taxes will support the remaining project costs projected in FY 2017/18.

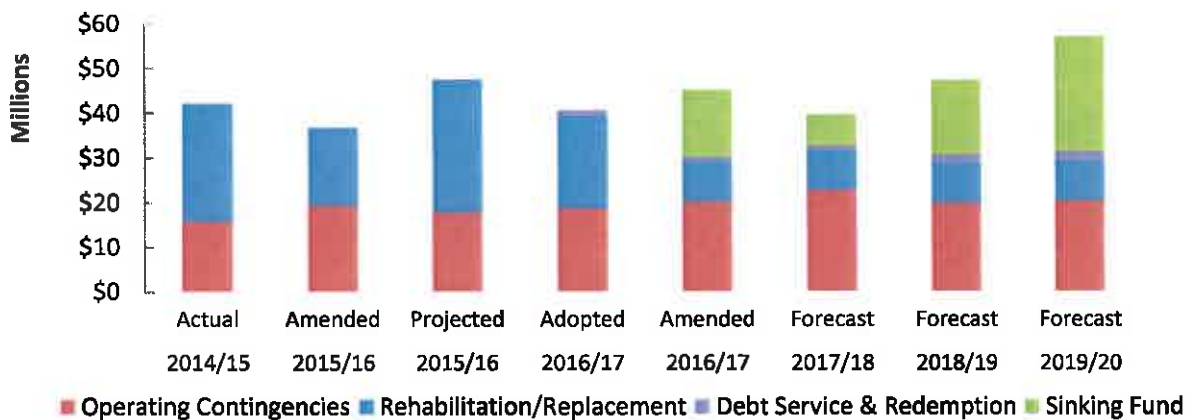
Table 13: RO Fund Major Projects

\$Millions	Project	Adopted FY 2016/17	Amended FY 2016/17
RO Fund Capital Projects	New Water Quality Laboratory	\$7.0	\$7.0
	Agency-Wide Lighting Improvements Phase 2	0	1.4
	Agency-Wide Pump Efficiencies	0	1.3
	SCADA Enterprise System	1.0	1.2
	RP-1 East Primary Effluent Pipe Rehab	1.4	0.5
	Other capital projects	2.4	7.9
	Total Capital Projects	\$11.8	\$19.3
RO Fund O&M Projects	Chino Basin Groundwater Supply Wells and Raw Water Pipeline	\$3.0	\$3.0
	Panel Replacement	0	2.4
	RO O&M Emergency Projects	0.6	0.6
	Other O&M projects	0.5	1.6
	Total O&M Projects	\$4.1	\$7.6
	Total Project Costs	\$15.9	\$26.9

The FY 2016/17 ending fund balance is estimated at \$45.2 million, approximately \$4.6 million higher than the adopted budget's fund balance of \$40.6 million (Figure 4). The estimated increase is primarily due to a higher projected ending fund balance for FY 2015/16 as a result of lower O&M and capital expenditure projections.

Beginning in FY 2016/17 a sinking fund reserve is being established to support the relocation, rehabilitation and decommissioning of wastewater facilities with an estimated of over \$100 million. At the end of FY 2019/20, the sinking fund reserve is projected to be \$25 million. The use of property taxes to fund the sinking fund over time will help mitigate the impact to future rates.

Figure 6: RO Fund Reserve by Type



Recycled Water (WC) Fund

No change in the budgeted 37,100 acre feet (AF) of recycled water deliveries in FY 2016/17, or the related revenue of \$16.0 million. Additionally, there is no change in the \$2.1 million Local Projects Program (LPP) rebate from the Metropolitan Water District of Southern California (MWD). The LPP rebate will sunset in June 2017.

Other key funding sources for the WC fund include; State Revolving Fund (SRF) low interest loans, grants, and the water connection fees. SRF loan proceeds and grant receipts are estimated at \$12.6 million in FY 2016/17, a reduction of \$5.5 million from the adopted budget. The reduction is mainly attributed to timing of expenditures and related receipts for major projects receiving funding from the Proposition 1 grant and SRF loans. Additionally the WC fund will be transferring approximately \$1.4 million of SRF loan receipts to the RO fund for costs associated with the SCADA Enterprise System project. Beginning in FY 2017/18 the RO fund will provide annual transfer to support o the WC fund for the SCADA Enterprise System project related debt service (Table 14).

Table 14: WC Fund Major Revenue & Other Funding Sources

\$Millions	Major Funding Sources	Adopted FY 2016/17	Amended FY 2016/17	Change	Key Assumptions
Recycled Water (WC)	Direct Sales	\$9.7	\$9.7	\$0.0	24,200 AF in FY 2016/17.
	Recharge Sales	6.0	6.0	0.0	12,900 AF in FY 2016/17.
	MWD LPP Rebate	2.1	2.1	0.0	\$134/AF rebate for recycled water sales up to 13,500 AF pr

\$Millions	Major Funding Sources	Adopted FY 2016/17	Amended FY 2016/17	Change	Key Assumptions
					FY. Rebate expires in June 2017.
	Connection Fee	4.5	2.9	(1.6)	4,167 MEUs reduced to 2,730 for FY 2016/17.
	Property Tax Receipts	2.1	2.2	0.1	An additional 3% increase in FY 2016/17 based on year to date receipts.
	Loan and Grant Proceeds	18.1	12.6	(\$5.5)	SRF loans and grants to support WC fund capital projects.
	Inter-Fund and Other Revenues	2.4	2.7	0.3	Interest and other reimbursements.
	Total	\$44.9	\$38.2	(\$6.7)	

Major expenses for the WC fund include capital, debt service and operating costs. Operating costs include labor, pumping costs, O&M project expense and a portion of the ground water recharge operating costs not reimbursed by Watermaster. Groundwater recharge expenses of \$1.1 million are estimated in FY 2016/17. In addition, the Agency's FY 2016/17 pro-rata share is estimated to be \$506,000.

Annual debt service costs are estimated at \$6.7 million in FY 2016/17. Repayment of the \$28.5 million outstanding inter-fund loans (\$13.5 million due to RC fund and \$15 million due to the NC fund) has been deferred from FY 2016/17 to FY 2019/20 with full repayment projected by FY 2025/26. The proposed major expense and other uses of funds are summarized in Table 15.

Table 15: WC Fund Major Expenses & Other Uses of Funds

\$Millions	Major Uses of Funds	Adopted FY 2016/17	Amended FY 2016/17	Change	Key Assumptions
Recycled Water (WC)	Utilities	\$3.0	\$3.0	\$0.0	\$0.12 kWh electricity rate for direct access, renewal energy rates based Purchase Power Agreements (PPAs) melded rate.
	Operating Expense	7.9	9.5	1.6	Includes labor, professional fees and services, materials and supplies, and a portion of the groundwater recharge operations expense and inter-fund transfers to support operating and capital costs.
	Debt Service Costs	9.3	6.7	(2.6)	Includes principal and interest costs for outstanding debt. Inter-fund loan repayment is deferred until FY 2019/20.
	Capital Improvement Plan (CIP)	18.6	11.9	(6.7)	See Table 13 for summary of major capital projects.
	Water Connection Fee Transfers	0.4	0.4	0.0	Connection fee to support projects in GG, RW and WW funds.
	Inter-Fund Transfers	1.2	2.4	1.2	Capital and operating support to other funds.
	Total	\$40.4	\$33.9	(\$6.5)	

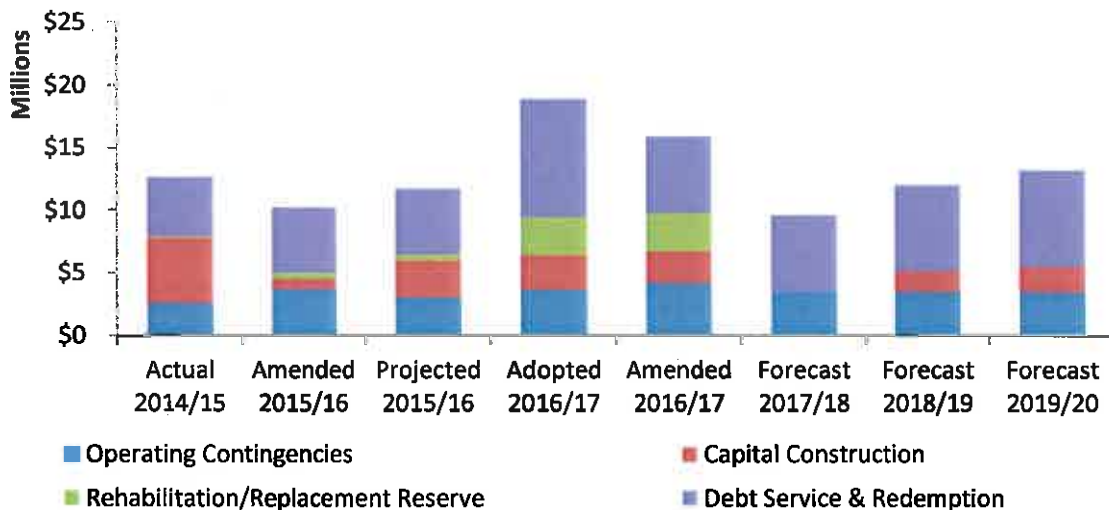
Capital expense is projected to be \$11.9 million as indicated in Table 16, reflects a reduction of \$6.7 million from the previously adopted budget of \$18.6 million. The reduction of projected CIP expense can mostly attributed to timing of and execution of the recycled water regional intertie projects.

Table 16: WC Fund Major Capital Projects

\$Millions	Project	Adopted FY 2016/17	Amended FY 2016/17
WC Fund	Recycled Water Regional Interties	\$10.0	\$1.5
	San Sevaine Improvements	3.0	3.2
	1630 West RW Pump Station – Surge Tank Install	-	1.3
	Napa Lateral/SB Speedway	1.0	0.5
	RP-1 Parallel Outfall Pipeline	1.0	0.2
	1158 Reservoir Site Cleanup	-	0.6
	All Other Capital Projects	3.6	4.6
	Major Capital Projects	\$18.6	\$11.9

Fund reserves for FY 2016/17 are projected to be \$15.9 million, a \$3.0 million decrease from the estimated ending balance reported in the adopted FY 2016/17 budget (Figure 7). The decrease is mainly due to a reduction in SRF loan and related grant proceeds. Also contributing to the decrease of reserves is the projected reduction in the number of new MEU connections. Previously budgeted for fiscal years 2015/16 through 2019/20 was 14,562 new MEU connections, this has been reduced to 11,632 new MEU connections. The R&R and capital expansion reserves fluctuates based on capital expenditures, which becomes stabilized and show improvements starting in FY 2018/19.

Figure 7: WC Fund Reserve Balance by Type



Recharge Water (RW) Fund

The Recharge Water (RW) fund accounts for the revenues and expenses associated with groundwater recharge (GWR) operations and maintenance through joint efforts with Chino Basin Watermaster (Watermaster), Chino Basin Water Conservation District (CBWCD), and the San

Bernardino County Flood Control District (SBCFCD). Operating expenses include general basin maintenance and/or restoration, groundwater administration (e.g. labor, tools, and supplies), contracted services (e.g. weeding and vector control), compliance reporting, and environmental documentation for permit compliance.

Total budgeted revenues, other funding sources and inter-fund contributions/support adopted for FY 2016/17 was \$7.4 million and the amended budget shows slight decrease at \$7.1 million. The budget is comprised of reimbursements from Watermaster for groundwater recharge facilities' operations and maintenance (O&M), capital/special project support, and debt service costs. The remaining balance will be contributed by IEUA for its portion of capital (50/50 shared with Watermaster), debt service, and pro-rata of O&M cost (Table 17).

Table 17: RW Fund Revenue and Other Funding Sources

\$Millions	Major Funding Sources	Adopted FY 2016/17	Amended FY 2016/17	Change	Description
Recharge Water (RW) Fund	Watermaster GWR O&M	\$0.8	\$0.9	\$0.1	Watermaster reimbursement of groundwater recharge operations & maintenance (GWR O&M) and facilities.
	Watermaster Debt Service	0.5	0.4	(0.1)	Watermaster reimbursement for its share of the debt service costs, interest rate estimated at 1.5% and 2015/16 interest credit adjustment.
	Watermaster Capital and O&M Projects	4.2	4.1	(0.1)	Capital project cost shared with Watermaster.
	IEUA Operations Support	1.9	1.7	(0.2)	Operating support for the Agency's pro-rate share for groundwater basin maintenance; capital projects; and non-reimbursable labor cost and water fee share from Recycled Water Fund. In addition to debt service share from the Regional Wastewater

\$Millions	Major Funding Sources	Adopted FY 2016/17	Amended FY 2016/17	Change	Description
					Capital Improvement (RC) Fund
	Total	\$7.4	\$7.1	(0.3)	

Total Recharge Water (RW) Program expenses adopted for FY 2016/17 and the Proposed FY 2016/17 remained at \$7.3 million. The expenses include debt service costs for bond issued in 2002 to finance the Chino Basin Facilities Improvement Project (CBFIP) which were refinance in 2008B Variable Bond; groundwater operations and maintenance cost, and capital projects.

FY 2016/17 groundwater O&M expense budget as shown in Table 18, includes utilities and general groundwater basin maintenance costs for infiltration restoration and slope repairs on various groundwater basins; Declez, Ely, Hickory, Banana, and Jurupa Basins.

Table 18: RW Major Expenses & Other Uses of Funds

\$Millions	Major Uses of Funds	Adopted FY 2016/17	Amended FY 2016/17	Change	Description
Recharge Water (RW) Fund	Debt Service	\$1.0	\$0.9	(\$0.1)	Bond principal, lower projected interest expense, and financial expenses.
	Groundwater O&M	1.6	1.8	0.2	GWR maintenance and administration costs, utilities, specialty O&M, Watermaster, SBCFCD costs, and IEUA pro-rata share.
	Watermaster Capital Improvement Plan	4.7	4.6	(0.1)	Capital project costs
	Total Expenses	\$7.3	\$7.3	\$0.0	

The slight reduction in capital project costs in FY 2016/17 is mainly due to modifications, improvements and refurbishment at selected basins for \$4.6 million (Table 19). As Watermaster has

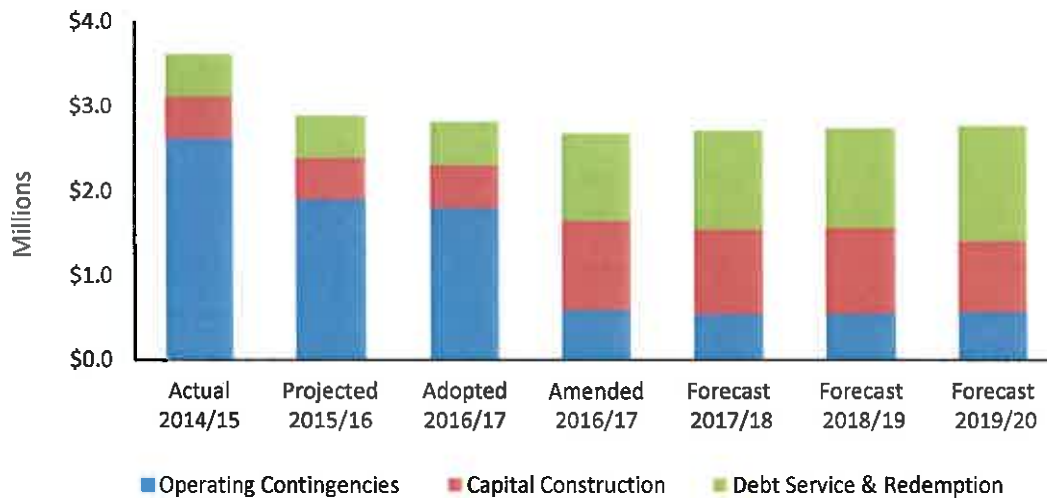
updated the Recharge Master Plan, Agency staff is taking the lead in the execution and administration of the capital projects.

Table 19: Recharge Program Capital Projects

\$Millions	Capital Projects	Adopted FY 2016/17	Amended FY 2016/17
Recharge Water (RW) Fund	RW15003 Recharge Master Plan Update	\$3.1	\$3.1
	RW15004 Lower Day RMPU	1.2	1.2
	EN16052 Ely Basin Turnout Remote Control Upgrade	0.4	
	RW15002 Upper Santa Ana River HCF	0.1	0.3
	Total Capital Projects	\$4.7	\$4.6

The ending fund balances for the amended FY 2016/17 budget is projected to be approximately \$2.7 million, compared to the adopted budget’s ending balance of \$2.8 million. Operating contingency reserve is adjusted to reflect the updated reserve requirement of 4 month operating contingency for each program fund. Average ending balance in ensuring fiscal years is estimated to be stable at approximately \$2.8 million (Figure 8).

Figure 8: RW Fund Reserve Balance by Type



Administrative Service (GG) Fund

The Administrative GG) fund serves as the Agency’s general fund. The GG fund accounts for agency-wide costs, such as; employment, general and administrative services, and contract services, including legal, external audit, landscaping, janitorial, computer software and hardware support, etc.

Similar to an internal-service fund, O&M costs recorded in the GG fund are allocated to other Agency funds and the Inland Empire Regional Composting Authority (IERCA) and Chino Basin Desalter Authority (CDA), whose facilities are operated by Agency staff. The GG Fund also accounts for agency-wide capital acquisitions for items such as computers, printers, copiers and pooled vehicles. Capital expenditures are supported by wastewater connection fees and inter-fund transfers from various Agency funds, including; RC, RO and WC funds.

The primary funding sources for the GG fund are property taxes, labor cost reimbursement from CDA, inter-fund transfers, and an allocation of wastewater connection fees. Total funding sources adopted for FY 2016/17 was \$4.6 million, will be updated to \$6.4 million, as illustrated on Table 20.

Table 20: GG Fund Revenue and Other Funding Sources

\$Millions	Major Funding Sources	Adopted FY 2016/17	Amended FY 2016/17	Change	Key Assumptions
Administrative Services (GG)	Property Tax	\$1.9	\$2.0	\$0.1	Beginning FY 2014/15 allocation reduced from 8% to 5%, shifted to WW fund to support program costs.
	CDA Reimbursement	1.4	1.5	0.1	Operations and labor costs for operation of the Chino 1 Desalter.
	Capital Support	0.9	2.5	1.6	Inter-fund transfers from RC, WC and NC funds to support agency-wide capital expenditures, net of connection fees.
	Inter-Fund Transfers & Other Revenues	0.4	0.4	0.0	Water Connection fees from WC fund
	Total	\$4.6	\$6.4	\$1.8	

The total gross operating and capital expenditures for FY 2016/17 amended budget is \$61.0 million, an increase of \$3.2 million compared to the FY 2016/17 adopted budget mainly due to higher special project (O&M) costs. Approximately, 99.5 percent of total O&M costs are allocated to other Agency funds, net of office and administration expenses and reimbursement from the CDA. The net unallocated operating expenses remaining in the GG fund are projected at \$3.8 million in FY 2016/17 (Table 21) mainly due to higher special project expenditures

Table 21: GG Fund Major Expenses & Other Uses of Funds (Alex to provide breakdown of expense allocation and explain the \$3.8M with 99.5% allocation

\$Millions	Major Uses of Funds	Adopted FY 2016/17	Amended FY 2016/17	Change	Key Assumptions
Administrative Services (GG)	Operating Expense	\$2.6	\$3.8	\$1.2	Net of expense allocation, includes: labor, professional fees and services, materials supplies, and special projects
	Capital Improvement Plan	0.9	2.9	2.0	See Table 20 for changes in major projects.
	Inter-fund Transfer	0.0	2.0	2.0	Inter-fund Property Tax Transfer to WW fund
	Total	\$3.5	\$8.7	\$5.2	

Capital projects for the GG fund are primarily related to vehicle fleet, computer system applications upgrade and business network improvements (Table 22).

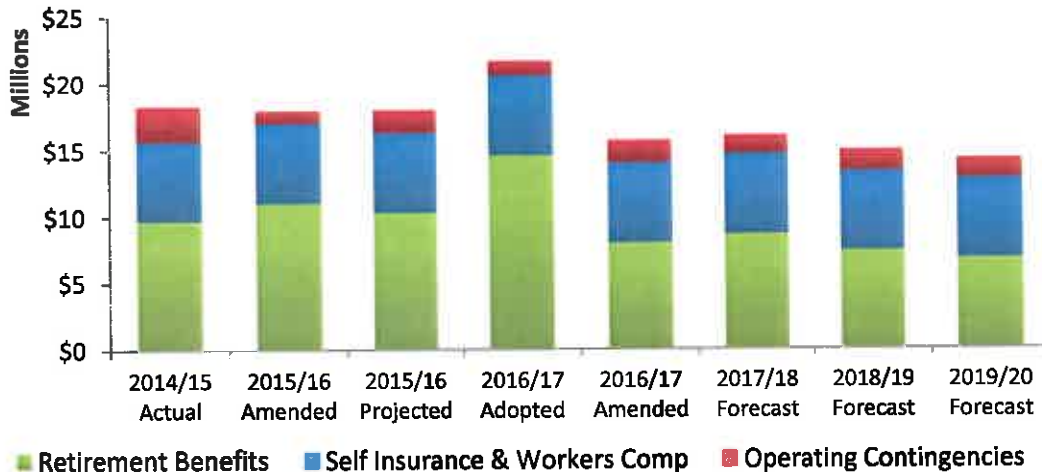
Table 22: GG Fund Capital Projects

\$Millions	Capital Projects	Adopted FY 2016/17	Amended FY 2016/17
Administrative Services (GG)	SAP Strategy and Roadmap Enhancement	\$0.3	\$0.2
	Document Management System - Implementation	0.1	0.4
	Conference Rooms Audio Video (agency-wide)	0.2	0.4
	SAP User Interface Improvement	0.1	0.3
	Agency Wide Vehicle	0.0	0.6
	Main Office Permit and RP-1 Training Room	0.0	0.5
	All Other	0.2	0.5
	Total Capital Projects	\$0.9	\$2.9

The GG fund maintains the Agency's reserves for its self-insurance programs and employee retirement benefits, including pension and other post-employment benefits (OPEB). The ending fund balance for the proposed FY 2016/17 budget are estimated at \$15.7 million compared to the fund balance \$21.7 million of the adoption budget (Figure 9). Decrease in fund balance is mainly

due to the re-allocation of property taxes to the WW fund and the proposed forgiveness of the inter-fund loans due from the WW fund.

Figure 9: GG Fund Reserve Balance by Type



Conclusion

The Agency is committed to adopt rates and fees that fully recover the cost of providing the services in order to maintain a high quality level of service, (funding and appropriation commitment under the Fiscal Responsibility Business goal). The rates adopted in 2015 for the five-year period support this commitment, as well as the proposed new water rates. Member water agencies and other stakeholders have been actively engaged in reviewing and evaluating the proposed changes to existing water rate structure and the proposed implementation period. The proposed changes to the water rate structure will more appropriately collect costs as they are incurred and provide for a more stable revenue source to support program costs. Providing reliable and sustainable water supplies is essential to ensuring the region can continue to prosper from future economic development.

As the water rates and the Non-Reclaimable Wastewater System (NRWS) rates are being finalized, the respective rates and budget will be brought back to the Board for review and approval in June 2016, as shown in the schedule below:

Action	IEUA Finance Committee	IEUA Board	Regional Technical Committee	Regional Policy Committee
Overview of FY 2016/17 Budget Amendments	May 11	May 18	May 26	June 2
FY 2016/17 Budget Amendments, Water Rates, NRW Program Rates, and related rate resolutions	June 8	June 15		

Attached in the Appendix section are the Summary of major changes in fund budget and Sources and Uses of Fund reports of the Agency’s RO RC, WC, RW, WW, and GG funds. The proposed budget for these programs is consistent with the IEUA Business Goals of *Fiscal Responsibility, Water Reliability, Wastewater Management, Environmental Stewardship and Business Practices.*

PRIOR BOARD ACTION

On June 20, 2015, the Board adopted the biennial FYs 2015/16 and 2016/17 Operating Budget and FY’s 2015/16 through 2024/25 TYCIP.

IMPACT ON BUDGET

None.

Attachments:

- Appendix A – Summary of Major Changes in Fund Budget (WW, RC, RO, WC, RW, and GG funds)
- Appendix B - Sources and Uses of Funds: WW, RC, RO, WC, RW, and GG Programs
- Appendix C - Repayment Schedule of Inter-Fund Loans

**Appendix A: Summary of Major Changes in Fund Budgets
 (\$ in Millions)**

		Adopted FY 2016/17	Amended FY 2016/17	Proposed Changes for Amendments
WW Fund	Total Revenue & Funding Sources	\$56.8	\$42.9	(\$13.9)
	Total Expense & Uses of Funds	56.5	45.2	(11.3)
	Net Increase (Decrease)	0.3	(2.3)	(2.6)
	Beginning Fund Balance	1.6	4.8	3.2
	Ending Fund Balance	\$1.9	\$2.5	\$0.6
RC Fund	Total Revenue & Funding Sources	\$55.3	\$49.2	(\$6.1)
	Total Expense & Uses of Funds	41.8	51.5	9.7
	Net Increase (Decrease)	13.5	(2.3)	(15.7)
	Beginning Fund Balance	53.3	69.8	16.5
	Ending Fund Balance	\$66.8	\$67.5	\$0.8
RO Fund	Total Revenue & Funding Sources	\$84.2	\$86.8	\$2.6
	Total Expense & Uses of Funds	80.1	89.2	9.1
	Net Increase (Decrease)	4.1	(2.4)	(6.5)
	Beginning Fund Balance	31.9	47.6	15.7
	Ending Fund Balance	\$36.0	\$45.2	\$9.2
WC Fund	Total Revenue & Funding Sources	\$44.9	\$38.2	(\$6.8)
	Total Expense & Uses of Funds	40.4	34.0	(6.5)
	Net Increase (Decrease)	4.5	4.2	(0.3)
	Beginning Fund Balance	14.4	11.7	(2.7)
	Ending Fund Balance	\$18.9	\$15.9	(\$3.0)
RW Fund	Total Revenue & Funding Sources	\$7.4	\$7.1	(\$0.3)
	Total Expense & Uses of Funds	7.3	7.3	0.0
	Net Increase (Decrease)	0.1	(0.2)	(0.3)
	Beginning Fund Balance	2.7	2.9	0.1
	Ending Fund Balance	\$2.8	\$2.7	(\$0.1)

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		Adopted FY 2016/17	Amended FY 2016/17	Proposed Changes for Amendments
GG Fund	Total Revenue & Funding Sources	\$4.6	\$4.4	(\$0.2)
	Total Expense & Uses of Funds	3.6	6.7	3.2
	Net Increase (Decrease)	1.0	(2.3)	(3.3)
	Beginning Fund Balance	20.7	18.1	(2.6)
	Ending Fund Balance	\$21.7	\$15.7	(\$6.0)

Appendix B

**INLAND EMPIRE UTILITIES AGENCY
 FISCAL YEAR 2016/17 BUDGET UPDATE
 WW FUND - SOURCES AND USES OF FUNDS (In Thousands)**

	2014/15	2015/2016	2015/2016	2016/2017	2016/2017
	ACTUAL	AMENDED BUDGET	PROJECTED ACTUAL	ADOPTED BUDGET	AMENDED BUDGET
REVENUES					
User Charges	\$5,690	\$5,620	\$5,620	\$9,498	\$4,443
Contract Cost reimbursement	138	1,867	1,867	1,500	1,465
Interest Revenue	12	14	14	31	8
Water Sales	34,147	34,659	26,514	42,062	28,671
TOTAL REVENUES	\$39,987	\$42,160	\$34,015	\$53,091	\$34,587
OTHER FINANCING SOURCES					
Property Tax - Debt and Capital	\$1,500	\$1,500	\$4,253	\$1,500	\$1,956
Grants	\$565	\$1,000	\$0	\$2,000	\$865
Loan Transfer from Internal Fund	4,308	2,000	0	0	3,200
TOTAL OTHER FINANCING SOURCES	\$6,373	\$4,500	\$4,253	\$3,500	\$6,021
EXPENSES					
Employment Expenses	\$949	\$1,750	\$1,750	\$1,842	\$1,828
Contract Work/Special Projects	2,200	11,138	3,959	8,372	7,707
Operating Fees	3,715	3,562	3,562	3,669	3,185
Professional Fees and Services	239	157	278	157	157
Office and Administrative expenses	50	60	60	60	60
MWD Water Purchases	34,147	34,659	29,460	42,062	31,856
Other Expenses	69	406	329	338	347
TOTAL EXPENSES	\$41,369	\$51,733	\$39,397	\$56,501	\$45,140
DEBT SERVICE					
Inter-Fund Loan	\$0	\$32	\$0	\$32	\$16
TOTAL DEBT SERVICE	\$0	\$32	\$0	\$32	\$16
TRANSFERS IN (OUT)					
One Water	\$0	\$41	\$41	\$269	\$269
Property Tax Transfer	0	0	0	0	2,000
TOTAL INTERFUND TRANSFERS IN (OUT)	\$0	\$41	\$41	\$269	\$2,269
FUND BALANCE					
Net Income (Loss)	\$4,991	(\$5,063)	(\$1,088)	\$328	(\$2,280)
Beginning Fund Balance July 01	\$916	\$5,906	\$5,906	\$1,572	\$4,818
ENDING FUND BALANCE AT JUNE 30	\$5,906	\$844	\$4,818	\$1,899	\$2,539
RESERVE BALANCE SUMMARY					
Capital / Operation Contingencies	\$5,906	\$844	\$4,818	\$1,899	\$2,539
ENDING BALANCE AT JUNE 30	\$5,906	\$844	\$4,818	\$1,899	\$2,539

**INLAND EMPIRE UTILITIES AGENCY
 FISCAL YEAR 2016/17 BUDGET UPDATE
 RC FUND - SOURCES AND USES OF FUNDS (In Thousands)**

	2014/15	2015/2016	2015/2016	2016/2017	2016/2017
	ACTUAL	AMENDED BUDGET	PROJECTED ACTUAL	ADOPTED BUDGET	AMENDED BUDGET
REVENUES					
Contract Cost reimbursement	\$12	\$0	\$0	\$0	\$0
Interest Revenue	94	365	128	545	135
TOTAL REVENUES	\$105	\$365	\$128	\$545	\$135
OTHER FINANCING SOURCES					
Property Tax - Debt and Capital	\$26,414	\$26,752	\$28,212	\$27,554	\$29,058
Regional System Connection Fees	15,074	22,647	22,647	26,161	17,138
State Loans	0	2,888	0	0	2,888
Grants	50	0	0	0	0
Other Revenues	0	6	1	6	6
TOTAL OTHER FINANCING SOURCES	\$41,538	\$52,292	\$50,860	\$53,721	\$49,088
EXPENSES					
Employment Expenses	\$3,230	\$3,535	\$3,437	\$3,171	\$4,021
Contract Work/Special Projects	1,007	908	307	750	2,950
Operating Fees	233	240	240	247	247
Professional Fees and Services	312	321	345	299	399
Other Expenses	1,457	1,605	1,310	1,790	1,899
TOTAL EXPENSES	\$6,239	\$6,609	\$5,638	\$6,258	\$9,516
CAPITAL PROGRAM					
IERCA investment	\$0	\$0	\$0	\$500	\$500
Work In Progress	4,318	14,015	9,580	14,845	19,504
TOTAL CAPITAL PROGRAM	\$4,318	\$14,015	\$9,580	\$15,345	\$20,004
DEBT SERVICE					
Financial Expenses	\$207	\$381	\$45	\$248	\$233
Interest	6,204	6,043	5,775	6,125	5,991
Principal	23,083	7,078	7,074	7,279	7,274
Short Term Inter-Fund Loan	10,500	0	0	0	0
TOTAL DEBT SERVICE	\$39,994	\$13,502	\$12,894	\$13,652	\$13,499
TRANSFERS IN (OUT)					
Capital Contribution	\$207	(\$1,608)	(\$1,520)	\$1,014	(\$1,943)
Debt Service	6,204	(1,925)	(1,925)	(1,964)	(1,937)
Operation support	23,083	(6,000)	0	0	0
Capital - Connection Fees Allocation	10,500	(4,318)	(4,780)	(4,600)	(4,600)
TOTAL INTERFUND TRANSFERS IN (OUT)	39,994	(13,852)	(8,224)	(5,550)	(8,480)
FUND BALANCE					
Net Income (Loss)	(\$10,282)	\$4,680	\$14,652	\$13,461	(\$2,276)
Beginning Fund Balance July 01	65,455	55,174	55,174	53,321	69,825
ENDING FUND BALANCE AT JUNE 30	\$55,174	\$59,853	\$69,825	\$66,782	\$67,549
RESERVE BALANCE SUMMARY					
Capital Expansion / Construction	\$32	\$441	\$4,765	\$1,724	\$6,829
CCRA Capital Construction	41,023	43,824	49,472	45,913	45,608
Rehabilitation/Replacement	0	0	0	3,000	0
Debt Service & Redemption	14,119	15,588	15,588	16,144	12,112
Sinking Fund	0	0	0	0	3,000
ENDING BALANCE AT JUNE 30	\$55,174	\$59,853	\$69,825	\$66,782	\$67,549

**INLAND EMPIRE UTILITIES AGENCY
 FISCAL YEAR 2016/17 BUDGET UPDATE
 RO FUND - SOURCES AND USES OF FUNDS (In Thousands)**

	2014/2015 ACTUAL	2015/16 AMENDED BUDGET	2015/16 PROJECTED ACTUAL	2016/17 ADOPTED BUDGET	2016/17 AMENDED BUDGET
REVENUES					
User Charges	\$46,965	\$49,696	\$50,921	\$55,023	\$56,381
Cost Reimbursement JPA	3,423	3,350	3,240	3,526	3,526
Contract Cost Reimbursement	123	531	531	93	93
Interest Revenue	195	154	154	150	182
TOTAL REVENUES	\$50,706	\$53,731	\$54,846	\$58,792	\$60,182
OTHER FINANCING SOURCES					
Property Tax Revenues	\$9,140	\$9,054	\$9,549	\$9,326	\$9,549
State Loans	0	948	0	7,657	7,657
Grants	332	3,525	525	3,525	3,525
Other Revenues	763	738	738	757	757
TOTAL OTHER FINANCING SOURCES	\$10,235	\$14,265	\$10,812	\$21,264	\$21,487
EXPENSES					
Employment Expenses	\$24,338	\$27,887	\$26,973	\$29,348	\$29,552
Contract Work/Special Projects	1,053	12,065	3,354	4,110	7,640
Utilities	6,398	7,331	6,595	7,687	7,690
Operating Fees	1,819	2,283	1,847	2,339	2,347
Chemicals	4,092	4,471	4,328	4,349	4,499
Professional Fees and Services	2,979	3,640	2,922	2,721	2,812
Office and Administrative expenses	20	406	206	406	406
Biosolids Recycling	3,755	4,233	4,223	4,188	4,354
Materials & Supplies	1,621	2,096	2,113	2,020	2,028
Other Expenses	741	5,652	4,623	4,857	5,149
TOTAL EXPENSES	\$46,815	\$70,064	\$57,183	\$62,025	\$66,478
CAPITAL PROGRAM					
Capital Construction & Expansion (WIP)	9,336	\$12,588	\$8,899	\$11,794	\$19,281
TOTAL CAPITAL PROGRAM	\$9,336	\$12,588	\$8,899	\$11,794	\$19,281
DEBT SERVICE					
Financial Expenses	(\$5)	\$2	\$0	\$2	\$0
Interest	159	214	214	214	214
Short Term Inter-Fund Loan	0	0	0	0	3,200
TOTAL DEBT SERVICE	\$154	\$216	\$214	\$216	\$3,415
TRANSFERS IN (OUT)					
Capital Contribution	\$1,274	\$82	\$1,727	(\$1,545)	\$1,025
Operation support	0	6,000	0	0	0
Capital - Connection Fees Allocation	0	3,440	4,249	4,111	4,111
TOTAL INTERFUND TRANSFERS IN (OUT)	\$1,274	\$9,522	\$5,976	\$2,566	\$5,136
FUND BALANCE					
Net Income (Loss)	\$5,909	(\$5,350)	\$5,337	\$8,589	(\$2,368)
Beginning Fund Balance July 01	\$36,306	\$42,215	\$42,215	\$32,053	\$47,553
ENDING FUND BALANCE AT JUNE 30	\$42,215	\$36,865	\$47,553	\$40,642	\$45,185
RESERVE BALANCE SUMMARY					
Capital / Operation Contingencies	\$15,605	\$19,238	\$17,628	\$18,500	\$19,984
Rehabilitation/Replacement	26,395	17,412	29,710	20,830	8,857
Debt Service & Redemption	216	216	216	1,312	1,312
Sinking Fund	0	0	0	0	15,032
ENDING BALANCE AT JUNE 30	\$42,215	\$36,865	\$47,553	\$40,642	\$45,185

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INLAND EMPIRE UTILITIES AGENCY
FISCAL YEAR 2016/17 BUDGET UPDATE
WC FUND - SOURCES AND USES OF FUNDS (In Thousands)

	2014/2015 ACTUAL	2015/2016 AMENDED BUDGET	2015/2016 PROJECTED ACTUAL	2016/2017 ADOPTED BUDGET	2016/2017 AMENDED BUDGET
REVENUES					
Contract Cost reimbursement	\$480	\$5	\$0	\$0	\$0
Interest Revenue	0	192	77	216	85
Water Sales	12,047	14,022	14,022	17,814	17,814
TOTAL REVENUES	\$12,527	\$14,219	\$14,098	\$18,030	\$17,899
OTHER FINANCING SOURCES					
Property Tax - Debt/Capital	\$2,063.83	\$2,057.83	\$2,170	\$2,118.57	\$2,170.10
Connection Fees	0	683	417	4,475	2,932
State Loans	22,714	11,367	5,002	15,985	6,749
Grants	4,901	4,417	4,161	2,125	5,815
Capital Contract Reimbursement	110	1,444	138	718	1,136
Other Revenues	32	0	0	0	0
Loan Transfer from Internal Fund	10,500	0	0	0	0
TOTAL OTHER FINANCING SOURCES	\$40,321	\$19,969	\$11,889	\$25,422	\$18,802
EXPENSES					
Employment Expenses	\$4,080	\$3,300	\$3,462	\$3,419	\$3,853
Contract Work/Special Projects	343	2,332	1,178	2,225	3,289
Utilities	2,033	2,877	2,231	3,010	3,026
Operating Fees	159	216	215	152	352
Professional Fees and Services	737	704	692	654	683
Materials & Supplies	114	183	168	169	159
Other Expenses	197	1,356	1,119	1,283	1,357
TOTAL EXPENSES	\$7,862	\$10,968	\$9,065	\$10,911	\$12,519
CAPITAL PROGRAM					
Work In Progress	\$35,295	\$19,898	\$9,949	\$18,630	\$11,899
TOTAL CAPITAL PROGRAM	\$35,295	\$19,898	\$9,949	\$18,630	\$11,899
DEBT SERVICE					
Financial Expenses	(\$31)	\$2	(\$36)	\$2	\$1
Interest	2,773	2,816	2,816	2,822	2,803
Principal	2,815	3,412	3,962	4,433	3,919
Short Term Inter-Fund Loan	0	0	0	2,000	0
TOTAL DEBT SERVICE	\$5,557	\$6,230	\$6,742	\$9,257	\$6,722
TRANSFERS IN (OUT)					
Capital Contribution	(\$1,649)	(\$370)	(\$2,034)	(\$459)	(\$1,941)
Debt Service	0	1,465	1,465	1,465	1,465
Operation support	(400,000)	(465,893)	(466)	(791)	(506)
One Water	0	(130)	(130)	(378)	(378)
TOTAL INTERFUND TRANSFERS IN (OUT)	(\$401,649)	(\$464,928)	(\$1,165)	(\$164)	(\$1,361)
FUND BALANCE					
Net Income (Loss)	(\$397,315)	(\$467,836)	(\$934)	\$4,490	\$4,199
Beginning Fund Balance July 01	10,351	12,636	12,636	14,391	11,702
ENDING BALANCE AT JUNE 30	(\$386,964)	(\$455,200)	\$11,702	\$18,881	\$15,901
RESERVE BALANCE SUMMARY					
Operating Contingencies	\$2,554	\$3,656	\$3,022	\$3,637	\$4,173
Capital Expansion & Replacement	5,217	813	2,923	2,751	2,538
Rehabilitation/Replacement Reserve	100	500	500	3,000	3,000
Debt Service & Redemption	4,765	5,258	5,258	9,493	6,190
ENDING BALANCE AT JUNE 30	\$12,636	\$10,227	\$11,702	\$18,881	\$15,901

**INLAND EMPIRE UTILITIES AGENCY
 FISCAL YEAR 2016/17 BUDGET UPDATE
 RWFUND - SOURCES AND USES OF FUNDS (In Thousands)**

	2014/2015	2015/16	2015/16	2016/17	2016/17
	ACTUAL	AMENDED BUDGET	PROJECTED ACTUAL	PROPOSED BUDGET	AMENDED BUDGET
REVENUES					
User Charges					
Property Tax - O&M					
Cost Reimbursement from JPA	\$595	\$742	\$486	\$773	\$915
Contract Cost reimbursement	0	50	0	0	60
Interest Revenue	13	10	10	10	10
TOTAL REVENUES	\$608	\$802	\$496	\$783	\$985
OTHER FINANCING SOURCES					
Capital Contract Reimbursement	\$604	\$1,487	\$1,506	\$4,701	\$4,539
Other Revenues	23	0	34	0	0
TOTAL OTHER FINANCING SOURCES	\$697	\$1,487	\$1,540	\$4,761	\$4,599
EXPENSES					
Employment Expenses	\$398	\$650	\$628	\$684	\$679
Contract Work/Special Projects	0	140	0	0	120
Utilities	112	122	122	122	104
Operating Fees	4	7	7	5	7
Professional Fees and Services	183	647	643	593	687
Office and Administrative expenses	8	16	16	16	16
Expense Allocation	0	76	62	61	65
Materials & Supplies	67	86	86	83	86
TOTAL EXPENSES	\$772	\$1,742	\$1,563	\$1,564	\$1,762
CAPITAL PROGRAM					
CSDLAC 4Rs	\$0	\$0	\$0	\$0	\$0
Capital Expansion/Construction	\$758	\$1,816	\$1,521	\$4,735	\$4,620
TOTAL CAPITAL PROGRAM	\$758	\$1,816	\$1,521	\$4,735	\$4,620
DEBT SERVICE					
Financial Expenses	\$86	\$145	\$212	\$78	\$92
Interest	7	143	30	273	205
Principal	607	632	632	647	647
TOTAL DEBT SERVICE	\$700	\$920	\$874	\$999	\$945
TRANSFERS IN (OUT)					
Capital Contribution	\$338	\$315	\$251	\$440	\$457
Debt Service	350	460	460	499	472
Operation support	400	466	466	791	506
Property Tax Transfer	0	62	62	96	96
TOTAL INTERFUND TRANSFERS IN (OUT)	\$1,088	\$1,302	\$1,239	\$1,826	\$1,531
FUND BALANCE					
Net Income (Loss)	\$162	(\$887)	(\$684)	\$73	(\$211)
Beginning Fund Balance July 01	\$3,413	\$3,575	\$3,575	\$2,743	\$2,890
ENDING FUND BALANCE AT JUNE 30	\$3,575	\$2,687	\$2,890	\$2,816	\$2,679
RESERVE BALANCE SUMMARY					
Operating Contingencies	\$2,614	\$1,688	\$1,891	\$1,798	\$587
Capital Expansion / Construction	500	500	500	500	1,056
Debt Service & Redemption	460	499	499	518	1,036
ENDING BALANCE AT JUNE 30	\$3,575	\$2,687	\$2,890	\$2,816	\$2,679

FY 2016/17 Budget Amendment Overview

May 18, 2016

Page 34 of 35

**INLAND EMPIRE UTILITIES AGENCY
FISCAL YEAR 2016/17 BUDGET UPDATE
GG FUND - SOURCES AND USES OF FUNDS (In Thousands)**

	2014/2015 ACTUAL	2015/2016 AMENDED BUDGET	2015/2016 PROJECTED ACTUAL	2016/2017 ADOPTED BUDGET	2016/2017 AMENDED BUDGET
REVENUES					
Property Tax	\$1,828	\$1,793	\$1,972	\$1,891	\$1,972
Cost Reimbursement from JPA	1,238	1,391	1,391	1,439	1,473
Contract Cost reimbursement	-	-	-	-	-
Interest Revenue	87	215	215	279	221
TOTAL REVENUES	\$3,153	\$3,398	\$3,578	\$3,610	\$3,666
OTHER FINANCING SOURCES					
Other Revenues	\$157	\$34	\$34	\$34	\$49
Sale of Capacity	0	0	0	0	0
Loan Transfer from Internal Fund	0	0	0	0	0
TOTAL OTHER FINANCING SOURCES	\$157	\$34	\$34	\$34	\$49
EXPENSES					
Employment Expenses	\$1,319	\$2,030	\$420	\$2,137	\$2,121
Contract Work/Special Projects	387	1,425	1,513	450	1,793
Utilities	438	699	678	723	703
Operating Fees	7	6	6	6	10
Professional Fees and Services	2,651	4,254	4,243	3,967	4,883
Office and Administrative expenses	1,537	1,370	1,184	1,983	2,173
Biosolids Recycling	33	25	25	25	25
Materials & Supplies	418	438	451	505	503
Other Expenses	(1,103)	(7,921)	(7,936)	(7,202)	(7,307)
TOTAL EXPENSES	\$5,686	\$2,327	\$583	\$2,594	\$4,904
CAPITAL PROGRAM					
Capital Expansion & Construction	\$1,098	\$1,770	\$1,770	\$938	\$2,855
Rehab & Replacement	0	0	0	0	0
TOTAL CAPITAL PROGRAM	\$1,098	\$1,770	\$1,770	\$938	\$2,855
DEBT SERVICE					
Financial Expenses	\$3,503	\$18	\$20	\$18	\$21
Short Term Inter-Fund Loan	4,308	2,000	-	-	2,000
TOTAL DEBT SERVICE	\$7,811	\$2,018	\$20	\$18	\$2,021
TRANSFERS IN (OUT)					
Capital Contribution	\$1,098	\$1,638	\$1,630	\$571	\$2,487
Capital - Connection Fees Allocation	-	684	401	355	355
One Water	-	27	27	13	13
Property Tax Transfer	-	-	-	-	-
TOTAL INTERFUND TRANSFERS IN (OUT)	\$1,098	\$2,349	\$2,058	\$938	\$2,855
FUND BALANCE					
Net Income (Loss)	(\$10,188)	(\$334)	\$3,296	\$1,031	(\$3,210)
Beginning Fund Balance July 01	\$28,528	\$18,340	\$18,340	\$20,691	\$21,636
ENDING FUND BALANCE AT JUNE 30	\$18,340	\$18,006	\$21,636	\$21,722	\$18,425
RESERVE BALANCE SUMMARY					
Capital / Operation Contingencies	\$2,643	\$963	\$92	\$1,097	\$2,252
Insurance & Other	6,000	6,000	6,000	6,000	6,000
Retirement reserves	9,697	11,043	15,544	14,625	10,173
ENDING BALANCE AT JUNE 30	\$18,340	\$18,006	\$21,636	\$21,722	\$18,425

Appendix C
Repayment Schedule of Inter-Fund Loans (\$Millions)

Inter Fund Loan Issued	From	To	Loan Amount	Proposed Repayment Amount 2016/17	Repayment Schedule
2007/08	Non-Reclaimable Wastewater (NC) Fund	Recycled Water	\$9.0	\$0	2019/20 \$2.0 2020/21 \$2.0 2021/22 \$2.0 2022/23 \$2.0 2023/24 \$1.0 Total \$9.0
2007/08	Regional Wastewater Capital (RC) Fund	Recycled Water	\$3.0	\$0	2022/23 \$1.0 2023/24 \$1.0 2024/25 \$1.0 Total \$3.0
2009/10	Non-Reclaimable Wastewater (NC) Fund	Recycled Water	\$6.0	\$0	2023/24 \$1.0 2024/25 \$2.0 2025/26 \$3.0 Total \$6.0
2014/15	Regional Wastewater Capital (RC) Fund	Recycled Water	\$10.5	\$0	2022/23 \$1.0 2023/24 \$5.0 2024/25 \$4.5 Total \$10.5
2014/15	Administrative Services (GG) fund	Water Fund	\$4.3*	\$0	\$4.3 TBD
2016/17	Regional Wastewater O&M (RO) Fund	Water Fund	\$3.2	\$0	2024/25 \$0.5 2025/26 \$0.5 2026/27 \$0.5 2027/28 \$0.5 2028/29 \$0.5 2029/30 \$0.5 2030/31 \$0.2 Total \$3.2
	Grand Total		\$36.0	\$0	\$36.0

* Expected request for forgiveness



Overview of FY 2016/17 Budget Amendments



**May 2016
Board Meeting**



Proposed Amendments to FY 2016/17 Budget



Total Revenue and Other Sources of Funds:

Major Funding Sources (\$Millions)	Adopted FY 2016/17	Amended FY 2016/17	Change	Key Assumptions
Water Sales	\$42.1	\$28.7	(\$13.4)	Change in estimated water deliveries.
Connection Fees	30.6	20.1	(10.5)	Wastewater units reduced from 4,580 to 3,000 based on recent member agency forecast.
Grants and Loans	31.3	27.5	(3.8)	Delay of SRF loans and grants related to WC fund capital projects.
User Charges	76.7	73.0	(3.7)	Change in water rates and RTS recovery.
Property Taxes	42.4	44.7	2.3	An additional 3% increase based on FY 2015/16 YTD receipts.
Other Revenues	17.0	17.9	0.9	Includes \$3.2M inter-fund loan from RO to WW.
Recycled Water Sales	17.8	17.8	0	24,200 Acre Feet (AF) in direct sales; 12,900 AF in recharge sales.
Total Revenues & Other Funding Sources	\$257.9	\$229.7	(\$28.2)	

Proposed Amendments to FY 2016/17 Budget



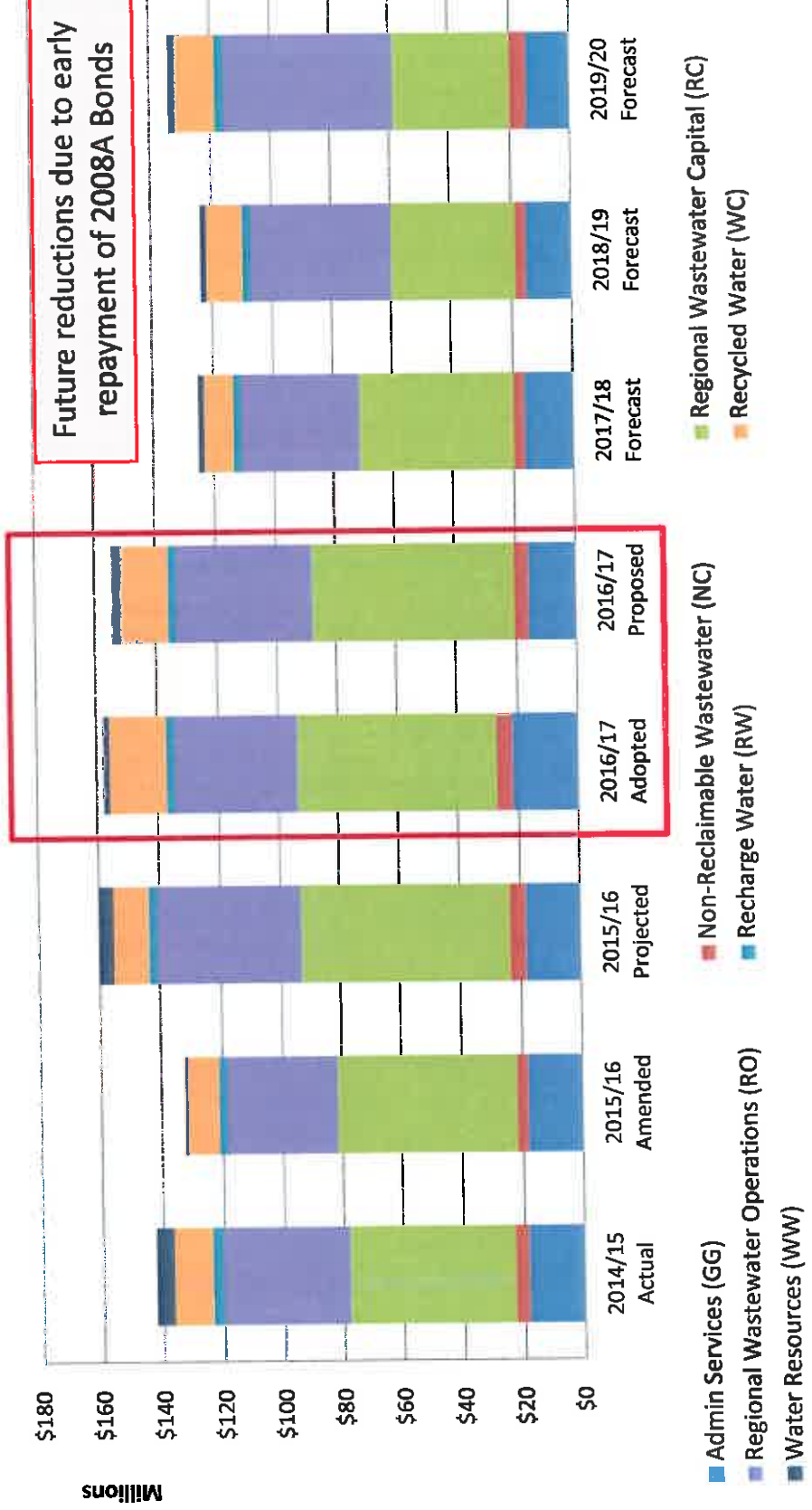
Total Expenses and Other Uses of Funds:

Major Uses of Funds (\$Millions)	Adopted FY 2016/17	Amended FY 2016/17	Change	Key Assumptions
Capital Improvement Plan (CIP)	\$52.5	\$60.4	\$7.9	Ten Year Capital Improvement Plan totals \$732M.
Operating Expenses	150.5	149.9	(0.6)	Increase in special projects of \$7.6M offset by \$10M decrease in MWD water purchases.
Debt Service	24.7	25.2	0.5	\$3.2M inter-fund loan from RO to WW offset by decrease in SRF loan repayment due to project spending delays.
Total Expenses & Uses of Funds	\$227.7	\$235.5	\$7.8	

Total Fund Balance - Amended (All Funds)



- ❖ ~\$4 million decrease in FY 2016/17 to \$154 million
- ❖ The projected Agency DCR for FY 2016/17 is 2.62; estimated average DCR for the next 10 years is 2.73

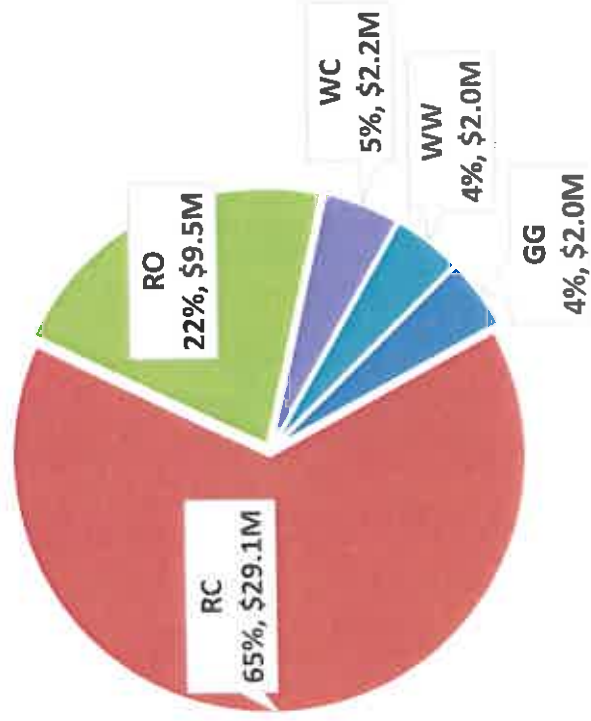


Continue Investment of Property Taxes

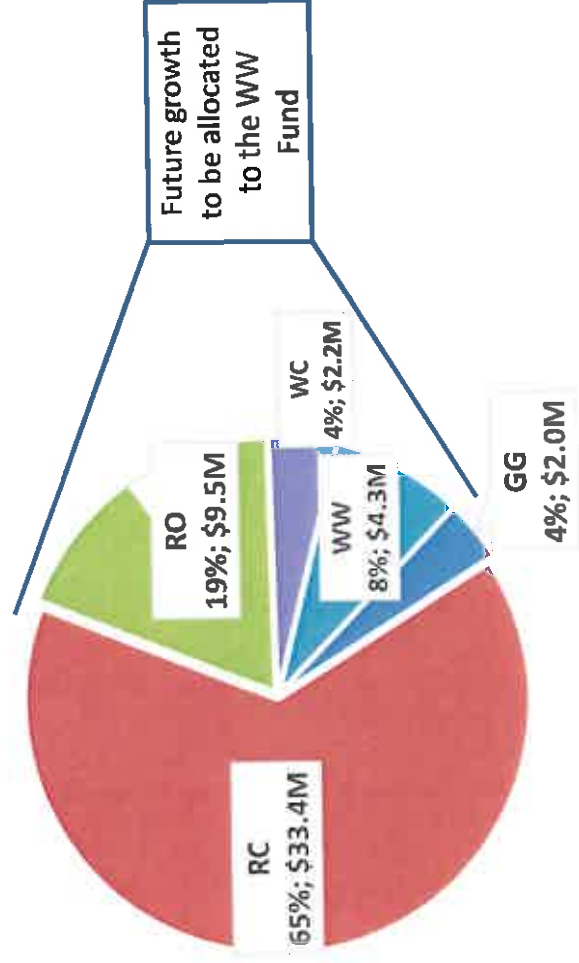


- ❖ No change in the 65% allocated to the RC fund.
- ❖ Future growth for the 35% will be assigned to the Water Fund (WW):
 - ✓ Support regional projects not supported by the proposed rates.

FY 2016/17 Property Tax Allocation
\$44.7 Million



FY 2022/23 Property Tax Allocation
\$51.4 Million



Water Resources (WW) Fund Draft Rate Implementation



- Use property taxes to support RTS fees shortfall during the 7 year implementation, and regional water resources initiatives not supported with proposed water rates.
- Forgive the \$4.3M loan due to GG fund
- Consider effective date of October 1, 2016 to accommodate water agencies Proposition 218 process.

	FY 16/17	FY 17/18	FY 18/19	FY 19/20	FY 20/21	FY 21/22	FY 22/23
RTS TYRA direct charge: 7YR Phase-in, estimated rate per AF	15% ~\$7.82	30% ~\$16.02	45%	60%	75%	90%	100%
MEU rate: \$/MEU	\$0.90	\$0.95	\$0.99	\$1.04	Adjustments based on CPI		

Water Resources (WW) Fund Key Changes in Draft Rate

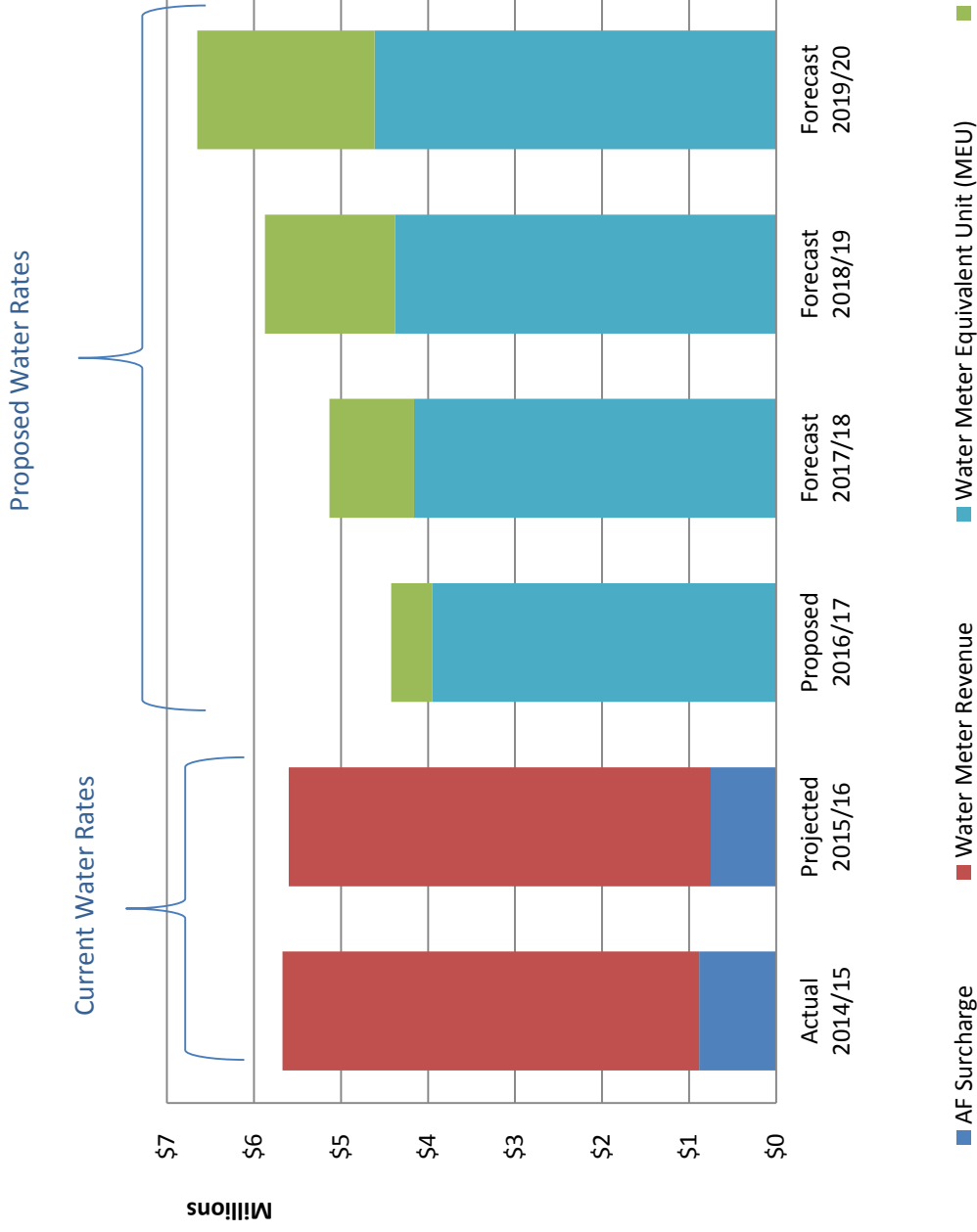


	March 2016 Proposal	April 2016 Proposal
Property Tax	\$8M Support phasing in of employment expenses & RTS TYRA	\$16M Covers the full RTS phasing over 7 years & operating reserve
MEU	<ul style="list-style-type: none"> Covered program expenses, partial employment and RTS TYRA, debt service, operating reserve 373,865 MEUs 	<ul style="list-style-type: none"> Covers program and employment expenses, and operating reserve 365,675 MEUs
Operating Reserve	4 months including one average MWD monthly invoice (\$6M)	4 months of operating expenses (~\$2M)
Conservation	\$1.12M	\$1.12M
Debt Service	Begins in FY 17/18, over 8 yrs	Forgive \$4.3M debt due to GG fund
Supplemental Property Tax	SARCCUP (\$9M) and Drought Projects support (dependent on IRP phase II)	SARCCUP (\$9M) and Drought Projects support (dependent on IRP phase II)

Current and Proposed Water Rates Impact on WW Fund Revenues



❖ Total revenue cut by \$2 million




**INFORMATION
ITEM**


5B


Date: May 18, 2016

To: The Honorable Board of Directors

Through: Public, Legislative Affairs, and Water Resources Committee (05/11/16)

From:  P. Joseph Grindstaff
General Manager

Submitted by: Chris Berch 
Executive Manager of Engineering/Assistant General Manager

Sylvie Lee 
Manager of Planning and Environmental Resources

Subject: Santa Ana River Watermaster Overview

RECOMMENDATION

This is an informational item for the Board of Directors to receive and file.

BACKGROUND

The Santa Ana River Watermaster (Watermaster) committee was created as part of the Physical Solution to the 1969 stipulated Judgment of the Santa Ana River surface water rights lawsuit brought by Orange County Water District (OCWD) against the upper watershed. The five-member committee is made up of two Watermasters from OCWD, and one Watermaster each from the IEUA, Western Municipal Water District (WMWD), and San Bernardino Valley Municipal Water District (SBVMWD). The committee prepares an annually report documenting compliance with river base flows as set by the stipulated Judgment.

Under the Judgment, IEUA has a combined minimal obligation with WMWD to provide OCWD with 34,000 acre-feet per year (adjusted for prior credits) of base flow at Prado. The Watermaster committee has reliably reported on activities and resolved water supply issues on the Santa Ana River since adoption of the 1969 Judgment.

On April 15, a workshop was held at IEUA with Board members from each of the Santa Ana River Watermaster agencies to present a summary of the Judgment, current Watermaster activities and opportunities for further collaboration. The presentation from the workshop is provided in its entirety as an attachment to this memo.

PRIOR BOARD ACTION

None.

IMPACT ON BUDGET

None.

Attachment: April 15, 2016 Santa Ana River Watermaster Presentation to Board Members of the Santa Ana River Watermaster Member Agencies



Orange County Water District
1000 North Orange Street
Orange, CA 92667

SANTA ANA RIVER WATERMASTER

April 15, 2014

Presentation/Initial

SANTA ANA RIVER WATERMASTER

Past:



Purpose



Parties



Roles

Present:



Opportunities



Status



Potential Issues

Future:



Assurances



Collaboration



Discussion



PAST



Purpose



Parties



Roles

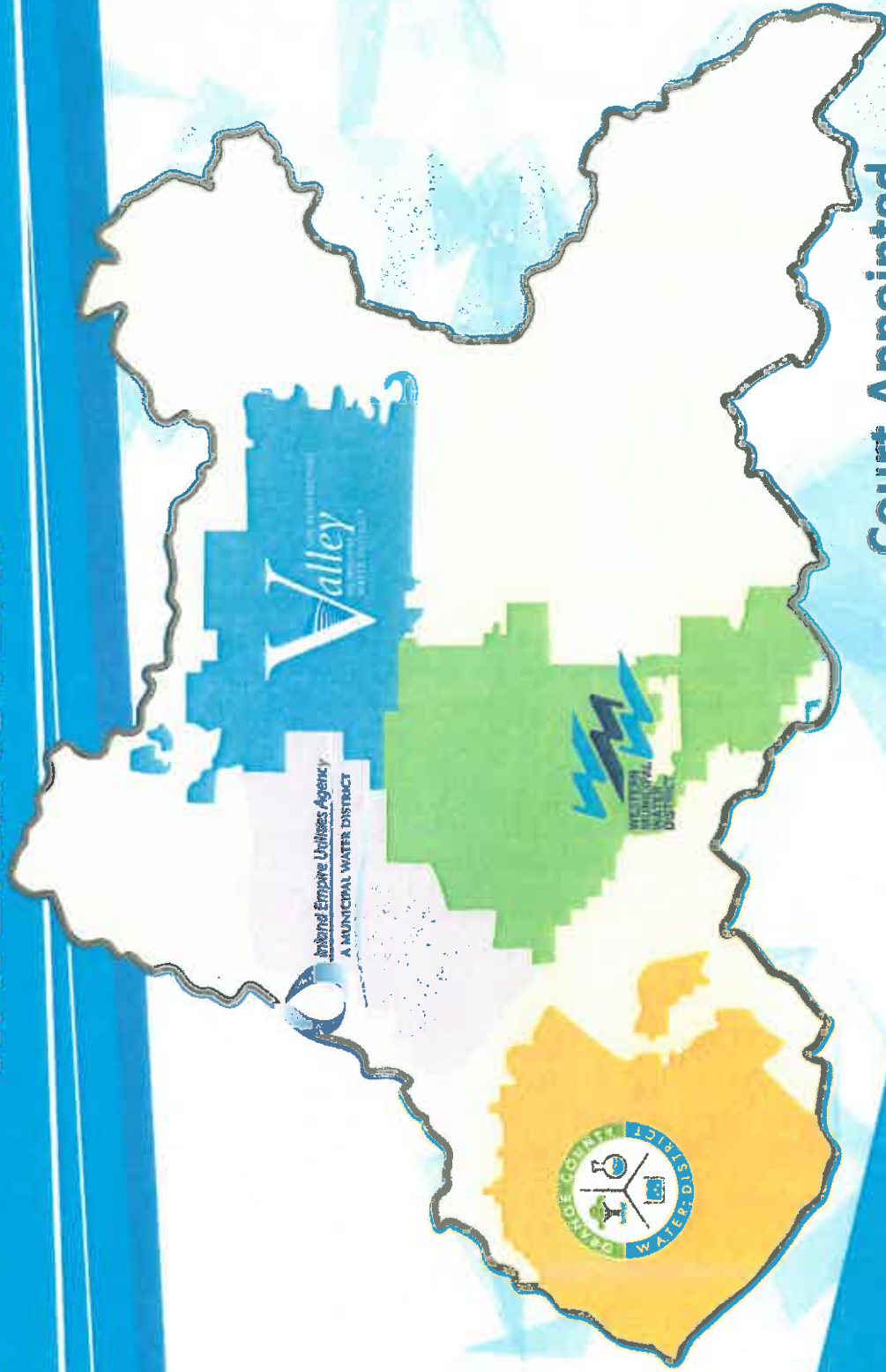


WHAT IS THE SANTA ANA RIVER WATERMASTER?

- ❖ Annually accounts for the quantity and quality of the flow of the Santa Ana River at the Riverside Narrows and Prado Dam
- ❖ Reports flows of base and storm flows
- ❖ A forum to discuss Santa Ana River regional water issues
 - Watermaster representatives work to avoid or resolve potential water conflicts between the Upper and Lower Basin.



WHO IS THE SANTA ANA RIVER WATERMASTER?



**Court-Appointed
Watermaster Agencies**



WATERMASTER COMMITTEE



Inland Empire Utilities Agency
A MUNICIPAL WATER DISTRICT



SAN BERNARDINO
Valley
MUNICIPAL
WATER DISTRICT

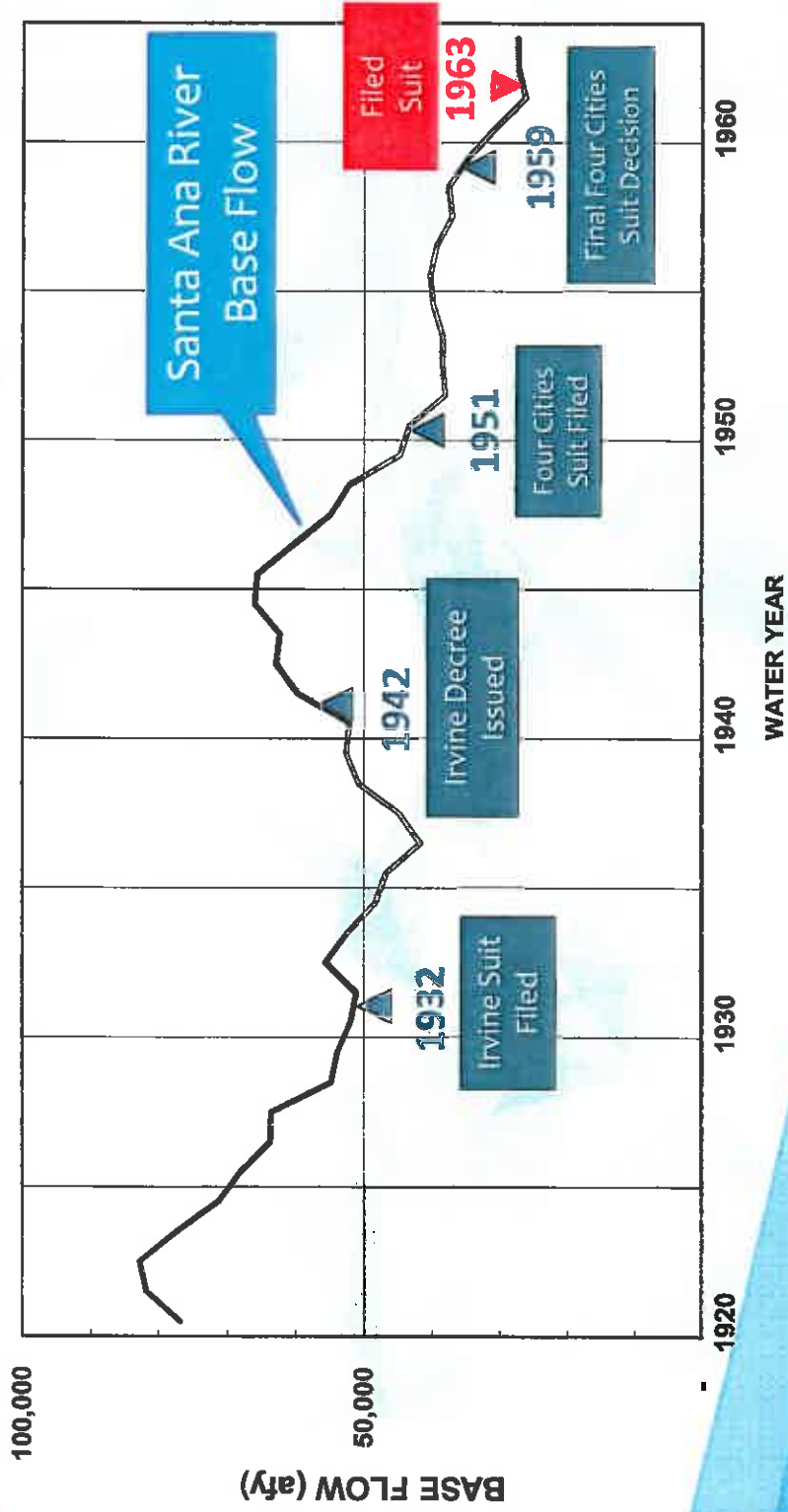


WESTERN
MUNICIPAL
WATER
DISTRICT

(Two members)

- ❖ Appointed to replace all 4,000 parties in original suit
- ❖ Findings must be unanimous
- ❖ Superior Court retains continuing jurisdiction
 - Annual reports due April 30th of each year
 - Expenses shared by the parties

HISTORY



LEGAL GUIDELINES

- ❖ 1969 settlement is made up of two judgments impacting all four parties defining both groundwater and surface water rights
 - *Santa Ana River Watershed Judgment*
 - *Western-San Bernardino Judgment*
- ❖ The settlement's guiding doctrine is a *Physical Solution*
 - *Establishes a regional inter-basin allocation of flows in the SAR*
 - *Balances rights and obligations of all parties*
 - *Includes future availability of supplemental imported sources of water*
 - *Factors water quality in flow obligations*

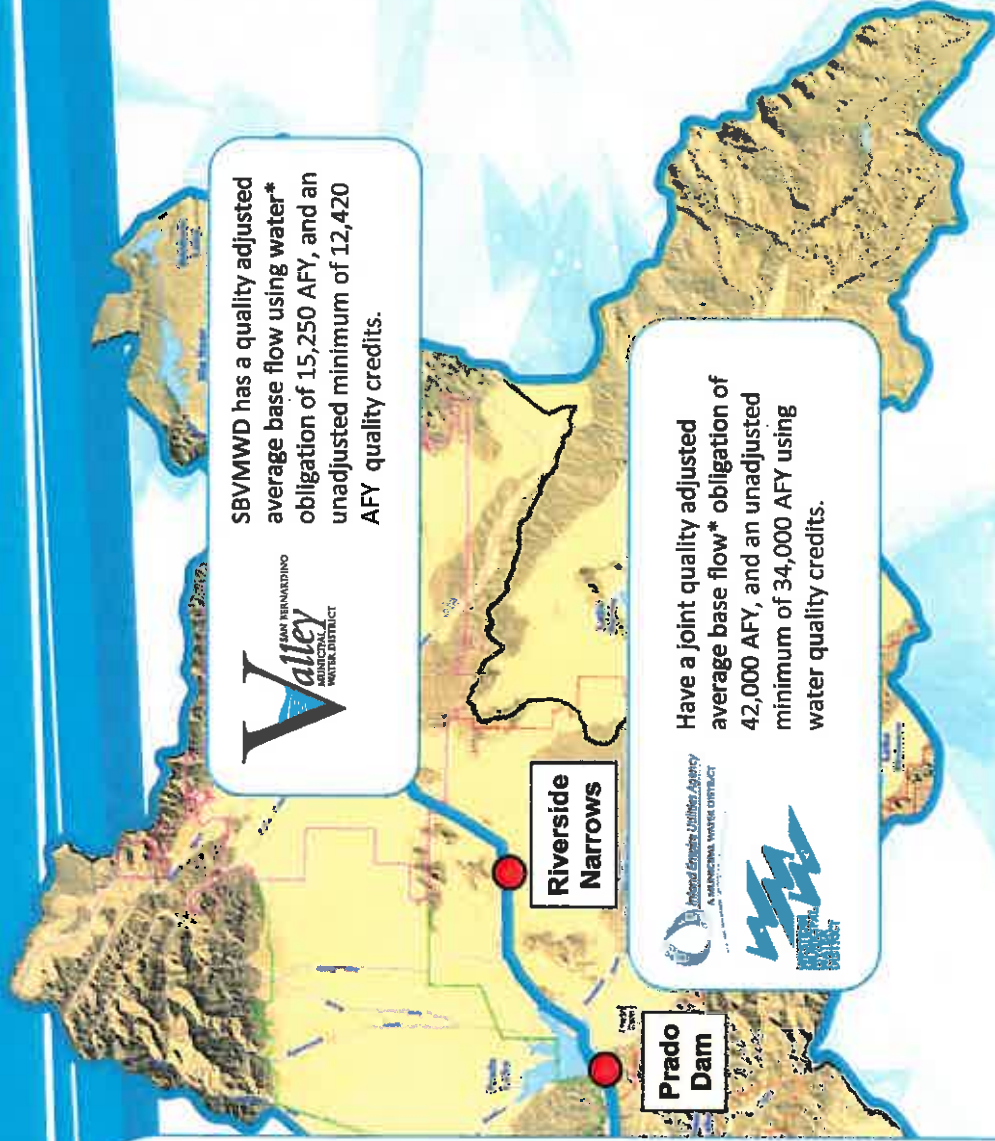
UPPER AREA COOPERATES TO MEET PRADO OBLIGATION

UPPER AREA USERS:

- Are enjoined from exporting water from Lower Area to Upper Area, directly or indirectly.
- May engage in unlimited water conservation activities, including spreading, impounding and other methods in the area above Prado.

LOWER AREA USERS:

- Are enjoined from exporting or "directly or indirectly causing water to flow" from the Upper Area to the Lower Area.
- May make full conservation use of Prado Reservoir.
- Cannot enforce two prior judgments so long as the Upper Area Districts comply with physical solution.



* Base flow adjusted using weighted-average TDS of total flow

OUR AGREEMENT IN SUMMARY

❖ Lower Area gets:

- Minimum base flow of 34,000 acre-feet/year
- All storm flow that reaches Prado Dam

❖ Upper Area gets:

- Rights to use all water above minimum base flow without interference

WESTERN-SAN BERNARDINO JUDGMENT

The Western-San Bernardino Judgment further implements the SAR Judgment and Watershed-wide Physical Solution above Riverside Narrows

- ❖ Ensures that Western users do not adversely affect Valley District's ability to meet its obligation to OCWD
- ❖ Ensures Valley District users are not adversely affected by Western users groundwater pumping

SUPPORTING AGREEMENTS TO ENSURE FLOW COMMITMENTS ARE MET

Agreements supporting Upper Districts' Guarantee of Base Flow at Riverside Narrows and Prado



DOCUMENTS AFFIRMING PROVISIONS OF THE 1969 JUDGMENT RELATED TO SWRCB PROCEEDINGS



PRESENT



Opportunities



Status



Potential Issues



UPPER AREA OPPORTUNITIES



Inland Empire Utilities Agency
A MUNICIPAL WATER DISTRICT

The Upper Area is eager to develop stormwater capture, recycled water, and other projects upstream while still complying with the 1969 Judgment obligations.



CURRENT STATUS

- ❖ Flows in the river have declined in recent years. OCWD is concerned about the sustainability of environmental habitat in Prado.
- ❖ The Judgment prohibits lower watershed from causing water to flow from the upper watershed.
- ❖ The Judgment prohibits upper watershed from causing water to flow from the lower watershed.



POTENTIAL ISSUES

- ❖ Could OCWD's comments regarding the need for additional water supplies for environmental mitigation and habitat be interpreted as "interference", "restraint" or "indirectly causing flow" from the Upper Area to the Lower Area?
- ❖ Could the 1969 Santa Ana River Stipulation Judgment prohibiting lower watershed from causing water to flow from the upper watershed mean that we cannot collaborate on water supply projects?

FUTURE



Assurances



Collaboration



Discussion



ASSURANCES



Inland Empire Utilities Agency
A MUNICIPAL WATER DISTRICT



Watermasters are committed to continuing to operate under the Judgment and to collaborate to enhance future water resource management objectives.



COLLABORATION

We are dedicated to working together

- On a study of river flows (through HCP) compared to needs
- On water supply projects:
 - ❖ HCP
 - ❖ SARCCUP
 - ❖ Other cooperative efforts
- To avoid protests/CEQA comments



PROJECTS REQUIRING COLLABORATION AND COLLECTIVE INPUT

- ❖ Habitat Conservation Plan (HCP)
- ❖ Santa Ana River Conservation and
Conjunctive Use Program (SARCCUP)

HABITAT CONSERVATION PLAN

- ❖ Covers future water supply projects and maintenance activities
- ❖ Provides habitat protections
- ❖ Required for incidental take permits
- ❖ Multi-agency cooperative effort

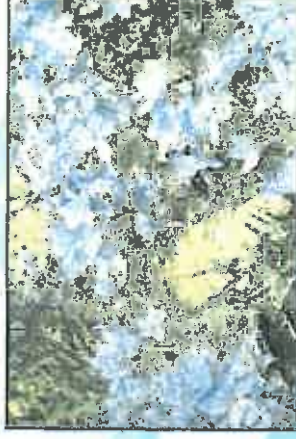


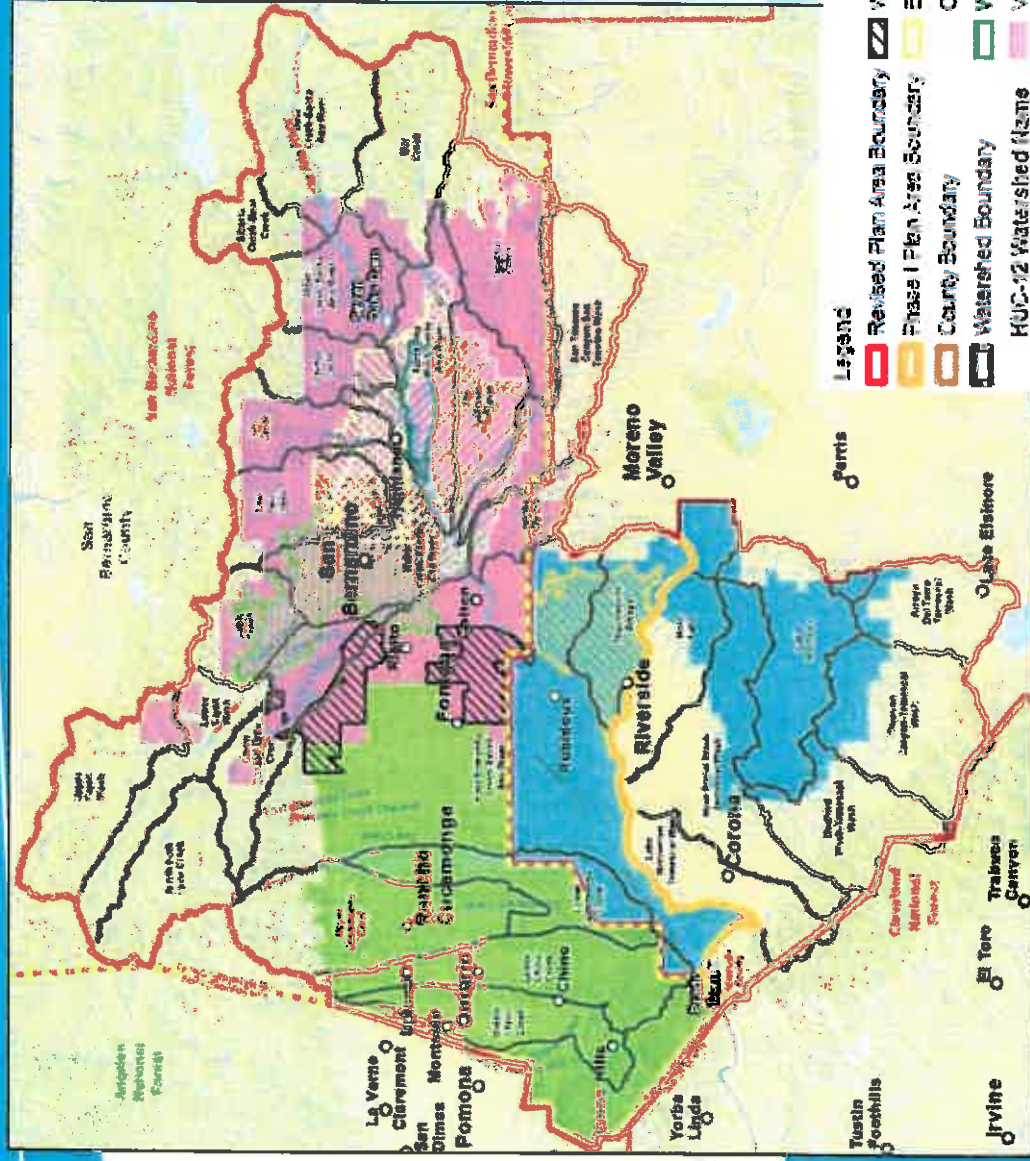
Photo: SB County Public Works



Photo: David Lee of GreenStream



STUDY AREA



- Includes areas with:
 - Covered Activities
 - Covered Species
 - Conservation Activities
- 863,000 Acres**
 - 35,000 = Riparian
 - 22,000 = Water
 - 425,000 = Upland
 - 336,000 = Developed

Legend

	Revised Plan Area Boundary		West Valley		Western Riverside County MSHCP
	Phase I Plan Area Boundary		East Valley		Wash Plan HCP
	County Boundary		Conservation District		
	Watershed Boundary		Water Department		
	KUC-12 Watershed Name		Valley District		
	HCP Team Agency Boundaries		Western		Source: 2009 KUC-12 Watershed RPU Memo, SWIC, EWIC, BWIC, NWIC, SEVIC, SWVIC, SVA, Riverside County, ESD
	RPU		IEUA		
	Flood Control				

SARCCUP ELEMENTS



HABITAT IMPROVEMENT:

Arundo Removal & Santa Ana Sucker Fish Habitat Restoration

New Water Supply
= 2,000 AFY



WATER USE EFFICIENCY:

Conservation-Based Rates Support, Water-use Efficient Landscaping Design

New Water Supply
= 7,439 AFY



GROUNDWATER BANKING:

“Put and Take” Conjunctive Use Facilities New Water Supply

New Water Supply
= 60,000 AFY

SARCCUP GROUNDWATER BANKING

- ❖ Phase 1 of SARCCUP Water Bank: 180,000 AF of Storage and 60,000 AF of Dry-Year Yield for Three Years
- ❖ Build recharge and extraction infrastructure to take advantage of wet-year extraordinary supplies
- ❖ Storage on “use-side” of major earthquake faults
- ❖ All five agencies share equally in dry-year yield





The previous generation implemented a successful water management solution.

Our generation needs to refine the application of the Judgment to meet changing water supply needs on the river.

**INFORMATION
ITEM**

5D



Date: May 18, 2016

To: The Honorable Board of Directors

Through: Finance, Legal, and Administration Committee (05/11/16)

From: *for* P. Joseph Grindstaff
General Manager *W*

Submitted by: *W* Christina Valencia
Chief Financial Officer/ Assistant General Manager

JL Javier Chagoyen-Lazaro
Manager of Finance and Accounting

Subject: Treasurer's Report of Financial Affairs

RECOMMENDATION

The Treasurer's Report of Financial Affairs for the month ended March 31, 2016, is an informational item for the Board of Director's review.

BACKGROUND

The Treasurer's Report of Financial Affairs for the month ended March 31, 2016, is submitted in a format consistent with State requirements. The monthly report denotes investment transactions that have been executed in accordance with the criteria stated in the Agency's Investment Policy (Resolution No. 2015-6-3).

Total cash, investments, and restricted deposits of \$166,873,665 reflects an increase of \$1,260,155 compared to the total reported for February 2016. The increase was primarily due to property tax and grant receipts.

The average days of cash on hand for the month ended March 31, 2016, increased from 234 days to 235 days. Average days of cash on hand is calculated using the monthly ending balance of unrestricted cash and cash equivalents divided by disbursements associated with operating expenses, debt service, and capital expenditures as recorded in the Agency's cash flow. New connection fees collected and held by member agencies is excluded from the days of cash on hand calculation.

The Agency's investment portfolio average rate of return in March 2016 was 0.817%, an increase of 0.042% compared to the average yield of 0.775% reported in February 2016. The increase can be attributed to an increase in the yields of the Local Agency Investment Fund (LAIF) and CalTrust Short-Term Portfolio of 0.039% and 0.040%, respectively.

The Financial Affairs report is consistent with the Agency's Business Goal of Fiscal Responsibility in providing financial reporting that accounts for cash and investment activities to fund operating requirements and to optimize investment earnings.

PRIOR BOARD ACTION

None.

IMPACT ON BUDGET

The interest earned on the Agency's investment portfolio increases the Agency's reserves.

Attachment: March 2016 Treasurer's Report of Financial Affairs

TREASURER'S REPORT OF FINANCIAL AFFAIRS

For the Month Ended March 31, 2016



All investment transactions have been executed in accordance with the criteria stated in the Agency's Investment Policy (Resolution No. 2015-6-3) adopted by the Inland Empire Utilities Agency's Board of Directors during its regular meeting held on June 17, 2015.

The funds anticipated to be available during the next six-month period are expected to be sufficient to meet all foreseen expenditures during the period.

* A Municipal Water District

INLAND EMPIRE UTILITIES AGENCY
Cash and Investment Summary

Month Ended
 March 31, 2016

	March	February
Cash, Bank Deposits, and Bank Investment Accounts	\$2,234,594	\$1,590,849
Investments		
Citizens Business Bank (CBB) Repurchase (Sweep)	\$12,227,621	\$19,379,520
Local Agency Investment Fund (LAIF)	36,397,078	34,897,078
CalTrust	10,057,625	7,553,845
California Asset Management Program (CAMP)	2,000,719	1,000,080
Certificates of Deposit	3,874,000	3,874,000
Medium Term Notes	6,101,325	6,102,974
U.S. Treasury Notes	999,873	999,857
U.S. Government Sponsored Entities	27,974,066	27,973,480
Total Investments	\$99,632,307	\$101,780,834
Total Cash and Investments Available to the Agency	\$101,866,901	\$103,371,683
Restricted Deposits		
Debt Service Accounts	\$2,544,729	\$2,544,729
CCRA Deposits Held by Member Agencies	55,361,666	52,869,354
OPEB (CERBT) Account	7,070,337	6,804,928
Escrow Deposits	30,032	22,816
Total Restricted Deposits	\$65,006,764	\$62,241,827
Total Cash, Investments, and Restricted Deposits	\$166,873,665	\$165,613,510

INLAND EMPIRE UTILITIES AGENCY
Cash and Investment Summary

Month Ended
 March 31, 2016

Cash, Bank Deposits, and Bank Investment Accounts

CBB Demand Account (Offset by CBB Sweep Balance)	\$926,105
CBB Workers' Compensation Account	38,968
Bank of America (BoFA) Payroll Account	687,695
BoFA Payroll Taxes Account	491,563
Subtotal Demand Deposits	<u>\$2,144,331</u>
Other Cash and Bank Accounts	
Petty Cash	\$2,250
Subtotal Other Cash	<u>\$2,250</u>
Bank of the West Money Market Account	\$51,816
US Bank Pre-Investment Money Market Account	\$36,197
Total Cash and Bank Accounts	<u>\$2,234,594</u>

Investments

CBB Repurchase (Sweep) Investments	
Federal Home Loan	
Subtotal CBB Repurchase (Sweep)	<u>\$12,227,621</u>
Local Agency Investment Fund (LAIF)	
LAIF Non-Restricted Fund	\$30,474,253
LAIF Insurance Sinking Fund	5,922,825
Subtotal Local Agency Investment Fund	<u>\$36,397,078</u>
CalTrust	
Short Term	\$10,057,625
Subtotal CalTrust	<u>\$10,057,625</u>
California Asset Management Program (CAMP)	
Pool	\$2,000,719
Subtotal CAMP	<u>\$2,000,719</u>

INLAND EMPIRE UTILITIES AGENCY
Cash and Investment Summary

Month Ended
 March 31, 2016

Investments Continued

Certificates of Deposit

Brokered Certificates of Deposit
 Subtotal Certificates of Deposit

\$3,874,000
\$3,874,000

Medium Term Notes

John Deere Capital Corp
 JP Morgan Chase & Co.
 Johnson & Johnson
 Microsoft
 Subtotal Medium Term Notes

\$1,001,272
 999,253
 2,025,769
 2,075,031
\$6,101,325

U.S. Treasury Notes

Treasury Note
 Subtotal U.S. Treasury Notes

\$999,873
\$999,873

U.S. Government Sponsored Entities

Fannie Mae Bank
 Freddie Mac Bank
 Federal Farm Credit Bank
 Federal Home Loan Bank
 Subtotal U.S. Government Sponsored Entities

\$7,999,526
 3,000,918
 6,000,000
 10,973,622
\$27,974,066

Total Investments

\$99,632,307

Restricted Deposits

Debt Service Reserves

08B Debt Service Accounts
 10A Debt Service Accounts
 Subtotal Debt Service Reserves

\$2,544,719
 10
\$2,544,729

INLAND EMPIRE UTILITIES AGENCY
Cash and Investment Summary

Month Ended
 March 31, 2016

CCRA Deposits Held by Member Agencies

City of Chino	\$12,841,092
Cucamonga Valley Water District	12,544,154
City of Fontana	9,082,938
City of Montclair	2,505,342
City of Ontario	9,463,382
City of Chino Hills	5,379,456
City of Upland	3,545,302
Subtotal CCRA Deposits Held by Member Agencies	\$55,361,666

CalPERS

OPEB (CERBT) Account	\$7,070,337
Subtotal CalPERS Accounts	\$7,070,337

Escrow Deposits

Genesis Construction	\$30,032
Subtotal Escrow Deposits	\$30,032

Total Restricted Deposits

	\$65,006,764
Total Cash, Investments, and Restricted Deposits as of March 31, 2016	\$166,873,665

Total Cash, Investments, and Restricted Deposits as of 3/31/16
 Less: Total Cash, Investments, and Restricted Deposits as of 2/29/16

Total Monthly Increase (Decrease)

	\$166,873,665
	165,613,510
	\$1,260,155

INLAND EMPIRE UTILITIES AGENCY

Cash and Investment Summary

Month Ended
March 31, 2016

	Credit Rating @ Purchase		CHANGES IN Credit Rating		Par Amount	Cost Basis Amount	Term (Days)	March Amortization	March Value	% Coupon	% Yield to Maturity	Maturity Date	Market Value
	S&P	Moody's	S&P	Moody's									
Cash, Bank Deposits, and Bank Investment Accounts													
Citizens Business Bank (CBB)													
Demand Account*					\$926,105	\$926,105	N/A	N/A	\$926,105		N/A	N/A	\$926,105
Workers' Compensation Account					38,968	\$38,968	N/A	N/A	\$38,968		N/A	N/A	\$38,968
Subtotal CBB Accounts					\$965,073	\$965,073			\$965,073				\$965,073
Bank of America (BoFA)													
Payroll Checking					\$687,695	\$687,695	N/A	N/A	\$687,695		N/A	N/A	\$687,695
Payroll Tax Checking					491,563	491,563	N/A	N/A	491,563		N/A	N/A	491,563
Subtotal B of A Accounts					\$1,179,258	\$1,179,258			\$1,179,258				\$1,179,258
Bank of the West													
Money Market Plus - Business Account					\$51,816	\$51,816	N/A	N/A	\$51,816		0.18%	N/A	\$51,816
Subtotal Bank of the West Account					\$51,816	\$51,816			\$51,816		0.18%		\$51,816
US Bank (USB)													
Federated Automated MMA					\$36,197	\$36,197	N/A	N/A	\$36,197		0.01%	N/A	\$36,197
Subtotal USB Account					\$36,197	\$36,197			\$36,197		0.01%		\$36,197
Petty Cash					\$2,250	\$2,250	N/A	N/A	\$2,250		N/A	N/A	\$2,250
Total Cash, Bank Deposits and Bank Investment Accounts					\$2,234,594	\$2,234,594			\$2,234,594				\$2,234,594
<i>*Negative demand checking balance is offset by the Daily Repurchase (Sweep) Account balance</i>													
Investments													
CBB Daily Repurchase (Sweep) Accounts													
Federal Home Loan					\$12,227,621	\$12,227,621	N/A	N/A	\$12,227,621		0.30%	N/A	\$12,227,621
Subtotal CBB Repurchase Accounts					\$12,227,621	\$12,227,621			\$12,227,621		0.30%		\$12,227,621
LAIIF Accounts													
Non-Restricted Funds					\$30,474,253	\$30,474,253	N/A	N/A	\$30,474,253		0.506%	N/A	\$30,474,253
LAIIF Sinking Fund					5,922,825	5,922,825	N/A	N/A	5,922,825		0.506%	N/A	5,922,825
Subtotal LAIIF Accounts					\$36,397,078	\$36,397,078			\$36,397,078		0.506%		\$36,397,078
CALTRUST Accounts													
Short-Term					\$10,057,625	\$10,057,625	N/A	N/A	\$10,057,625		0.69%	N/A	\$10,057,625
Subtotal CalTrust Accounts					\$10,057,625	\$10,057,625			\$10,057,625		0.69%		\$10,057,625
CAMP Accounts													
Short-Term					\$2,000,719	\$2,000,719	N/A	N/A	\$2,000,719		0.50%	N/A	\$2,000,719
Subtotal CAMP Accounts					\$2,000,719	\$2,000,719			\$2,000,719		0.50%		\$2,000,719

INLAND EMPIRE UTILITIES AGENCY

Cash and Investment Summary

Month Ended
March 31, 2016

	Credit Rating @ Purchase		CHANGES IN Credit Rating		Par Amount	Cost Basis Amount	Term (Days)	March Amortization	March Value	% Coupon	% Yield to Maturity	Maturity Date	Market Value
	S&P	Moody's	S&P	Moody's									

Investments (continued)

Brokered Certificates of Deposit (CDs)

Ally Bank	N/A				\$245,000	\$245,000	551		\$245,000	0.80%	0.80%	01/17/17	\$245,091
Capital One National Association	N/A				240,000	240,000	552		240,000	0.80%	0.80%	01/17/17	240,089
Compass Bank	N/A				245,000	245,000	552		245,000	0.85%	0.85%	01/17/17	245,091
Comenity Capital Bank	N/A				240,000	240,000	731		240,000	1.15%	1.15%	07/13/17	240,326
Discover Bank	N/A				240,000	240,000	552		240,000	1.15%	1.15%	07/17/17	240,281
Medallion Bank	N/A				240,000	240,000	733		240,000	1.20%	1.20%	07/17/17	240,281
Sallie Mae Bank	N/A				248,000	248,000	743		248,000	1.15%	1.15%	11/06/17	248,620
Key Bank National Association	N/A				248,000	248,000	732		248,000	1.10%	1.10%	11/13/17	248,645
Capital One Bank	N/A				240,000	240,000	916		240,000	1.35%	1.35%	01/16/18	241,102
Goldman Sachs Bank USA	N/A				240,000	240,000	916		240,000	1.40%	1.40%	01/16/18	241,313
BMW Bank of North America	N/A				240,000	240,000	915		240,000	1.40%	1.40%	01/17/18	241,310
American Express Bank	N/A				240,000	240,000	1097		240,000	1.70%	1.70%	07/16/18	241,509
American Express Centurion	N/A				240,000	240,000	1097		240,000	1.70%	1.70%	07/16/18	241,509
HSBC Bank USA, NA Step	N/A				244,000	244,000	1827		244,000	1.25%	1.25%	07/29/20	244,874
JPM Chase NA Step	N/A				244,000	244,000	1827		244,000	1.25%	1.25%	07/31/20	244,593
Synchrony Bank	N/A				240,000	240,000	1827		240,000	2.25%	2.25%	10/02/20	244,524
Subtotal Brokered CDs					\$3,874,000	\$3,874,000		\$0	\$3,874,000		1.426%		\$3,889,158

US Treasury Note

US Treasury Note	N/A	AAA			\$1,000,000	\$999,463	1092	15	\$999,873	0.63%	0.64%	12/15/16	\$1,000,510
Subtotal US Treasuries					\$1,000,000	\$999,463		15	\$999,873		0.64%		\$1,000,510

U.S. Government Sponsored Entities

Federal Home Loan Bank	N/A	AAA			\$2,000,000	\$2,000,000	355		\$2,000,000	0.38%	0.38%	06/20/16	\$2,000,360
Freddie Mac Bond	AA+	AAA			2,001,500	2,001,500	722	(64)	2,000,918	0.85%	0.81%	06/16/17	2,000,440
Federal Home Loan Bank	AA+	AAA			2,000,000	2,000,000	1,100		2,000,000	1.20%	1.20%	06/29/18	2,000,360
Fannie Mae Bond	AA+	AAA			2,000,000	2,000,000	1,097		2,000,000	1.20%	1.20%	11/28/18	2,004,040
Fannie Mae Bond	AA+	AAA			2,000,000	2,000,000	1,459		2,000,000	1.63%	1.63%	12/28/18	2,013,540
Federal Farm Credit Bank	AA+	AAA			3,000,000	3,000,000	1,079		3,000,000	1.15%	1.15%	02/22/19	3,003,810
Federal Home Loan Bank	AA+	AAA			3,000,000	3,000,000	1,186		3,000,000	1.50%	1.50%	04/26/19	3,010,200
Fannie Mae Bond	AA+	AAA			4,000,000	3,999,400	1,456	13	3,999,526	1.50%	1.50%	05/24/19	4,005,200
Federal Farm Credit Bank	AA+	AAA			2,000,000	2,000,000	1,460		2,000,000	1.52%	1.52%	06/24/19	2,033,160
Freddie Mac Bond	AA+	AAA			1,000,000	1,000,000	1,461		1,000,000	3.00%	3.00%	07/29/19	1,000,700
Freddie Mac Bond	AA+	AAA			3,000,000	2,972,928	1,359	618	2,974,502	1.25%	1.50%	10/02/19	3,012,930
Federal Home Loan Bank	AA+	AAA			1,000,000	999,000	1,461	21	999,120	1.40%	1.43%	10/08/19	1,000,010
Federal Farm Credit Bank	AA+	AAA			1,000,000	1,000,000	1,461		1,000,000	1.42%	1.42%	10/21/19	1,000,780
Subtotal U.S. Gov't Sponsored Entities					\$28,000,000	\$27,972,828		\$588	\$27,974,066		1.349%		\$28,085,530

(As of August 2011, all US GSE's have been downgraded to AA+ Rating by S&P)

INLAND EMPIRE UTILITIES AGENCY

Cash and Investment Summary

Month Ended
March 31, 2016

	Credit Rating @ Purchase		CHANGES IN Credit Rating		Par Amount	Cost Basis Amount	Term (Days)	March Amortization	March Value	% Coupon	% Yield to Maturity	Maturity Date	Market Value
	S&P	Moody's	S&P	Moody's									
Medium Term Notes													
John Deere Capital Corp	A	A2			\$1,000,000	\$1,004,000	1,754	(71)	\$1,001,272	1.20%	1.11%	10/10/17	\$999,960
JP Morgan Chase & Co	A-	A3			1,000,000	999,000	1,037	30	999,253	1.63%	1.66%	05/15/18	1,002,050
Johnson & Johnson	AAA	AAA			2,000,000	2,027,480	1,044	(816)	2,025,769	1.65%	1.16%	12/05/18	2,038,720
Microsoft	AAA	AAA			2,050,000	2,076,691	1,045	(792)	2,075,031	1.63%	1.16%	12/06/18	2,088,970
Subtotal Medium Term Notes					\$6,050,000	\$6,107,171		(\$1,649)	\$6,101,325		1.24%		\$6,129,700
Total Investments					\$99,607,043	\$99,636,505			\$99,632,307				\$99,787,941
<i>(Source of Investment Market Value: US Bank)</i>													
Restricted Deposits													
Debt Service and Arbitrage Accounts													
088 Debt Service Accounts					\$2,544,719	\$2,544,719	N/A	N/A	\$2,544,719		0.00%		\$2,544,719
10A Debt Service Accounts					10	10	N/A	N/A	10		0.00%		10
Total Debt Service Accounts					\$2,544,729	\$2,544,729			\$2,544,729				\$2,544,729
CCRA Deposits Held by Member Agencies													
City of Chino					\$12,841,092	\$12,841,092	N/A	N/A	\$12,841,092		N/A	N/A	\$12,841,092
Cucamonga Valley Water District					12,544,154	12,544,154	N/A	N/A	12,544,154		N/A	N/A	12,544,154
City of Fontana					9,082,938	9,082,938	N/A	N/A	9,082,938		N/A	N/A	9,082,938
City of Montclair					2,505,342	2,505,342	N/A	N/A	2,505,342		N/A	N/A	2,505,342
City of Ontario					9,463,382	9,463,382	N/A	N/A	9,463,382		N/A	N/A	9,463,382
City of Chino Hills					5,379,456	5,379,456	N/A	N/A	5,379,456		N/A	N/A	5,379,456
City of Upland					3,545,302	3,545,302	N/A	N/A	3,545,302		N/A	N/A	3,545,302
Subtotal CCRA Deposits Held by Member Agencies					\$55,361,666	\$55,361,666			\$55,361,666				\$55,361,666
<i>(Reported total as of February 29, 2016)</i>													
CalPERS Deposits													
OP&B (CERBT) Account					\$7,000,000	\$7,000,000	N/A	N/A	\$7,070,337		N/A	N/A	\$7,070,337
Subtotal CalPERS Deposits					\$7,000,000	\$7,000,000			\$7,070,337				\$7,070,337
Escrow Deposits													
Genesis Construction Escrow					\$30,032	\$30,032	N/A	N/A	\$30,032		N/A	N/A	\$30,032
Subtotal Escrow Deposits					\$30,032	\$30,032			\$30,032				\$30,032
Total Restricted Deposits					\$64,936,427	\$64,936,427			\$65,006,764				\$65,006,764
Total Cash, Investments, and Restricted Deposits as of March 31, 2016					\$166,778,064	\$166,807,526			\$166,873,665				\$167,029,299

INLAND EMPIRE UTILITIES AGENCY
Cash and Investment Summary

Month Ended
 March 31, 2016

March Purchases				
No.	Date	Transaction	Investment Security	Par Amount Purchased
			N/A	

Total Purchases \$ -

March Investment Maturities, Calls & Sales				
No.	Date	Transaction	Investment Security	Par Amount Matured/Sold
			N/A	

Total Maturities, Calls & Sales \$ -

INLAND EMPIRE UTILITIES AGENCY

Cash and Investment Summary

Month Ended
March 31, 2016

<u>Directed Investment Category</u>	<u>Amount Invested</u>	<u>Yield</u>
CBB Repurchase (Sweep)	\$12,227,621	0.300%
LAIIF	36,397,078	0.506%
CalTrust	10,057,625	0.690%
CAMP	2,000,719	0.500%
Medium Term Notes	6,101,325	1.235%
US Treasury Notes	999,873	0.640%
U.S. Government Sponsored Entities	27,974,066	1.349%
	\$95,758,307	0.793%

Bank Deposit and Investment Accounts

Various Banks - Brokered Certificates of Deposit	\$3,874,000	1.426%
Bank of the West Money Market Account	51,816	0.180%
	\$3,925,816	1.410%

Total Investment Portfolio

Investment Portfolio Rate of Return

\$99,684,123
0.817%

Restricted/Transitory/Other Demand Accounts

<u>Restricted/Transitory/Other Demand Accounts</u>	<u>Amount Invested</u>	<u>Yield</u>
CCRA Deposits Held by Member Agencies	\$55,361,666	N/A
CalPERS OPEB (CERBT) Account	7,070,337	N/A
US Bank - 2008B Debt Service Accounts	2,544,719	0.000%
Citizens Business Bank - Demand Account	926,105	N/A
US Bank - 2010A Debt Service Accounts	10	0.000%
US Bank - Pre-Investment Money Market Account	36,197	0.010%
Citizens Business Bank - Workers' Compensation Account	38,968	N/A
Other Accounts*	1,181,508	N/A
	\$67,159,510	0.000%

Total Other Accounts

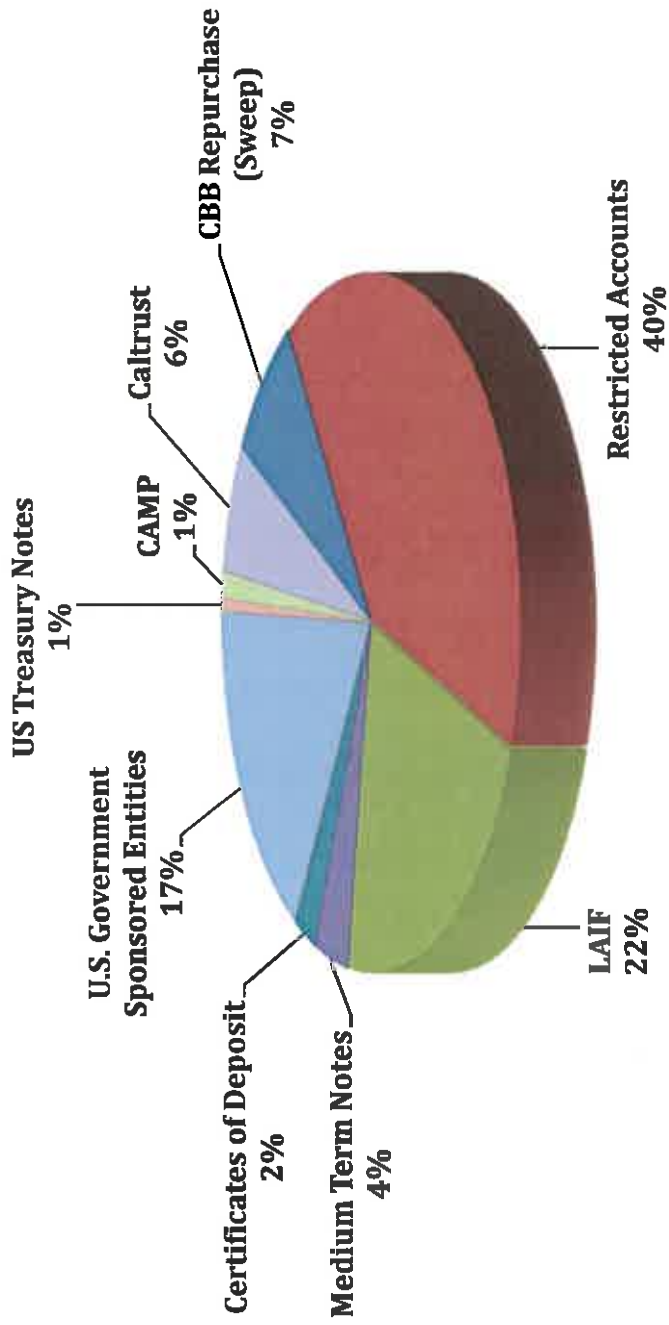
Average Yield of Other Accounts

\$166,843,633

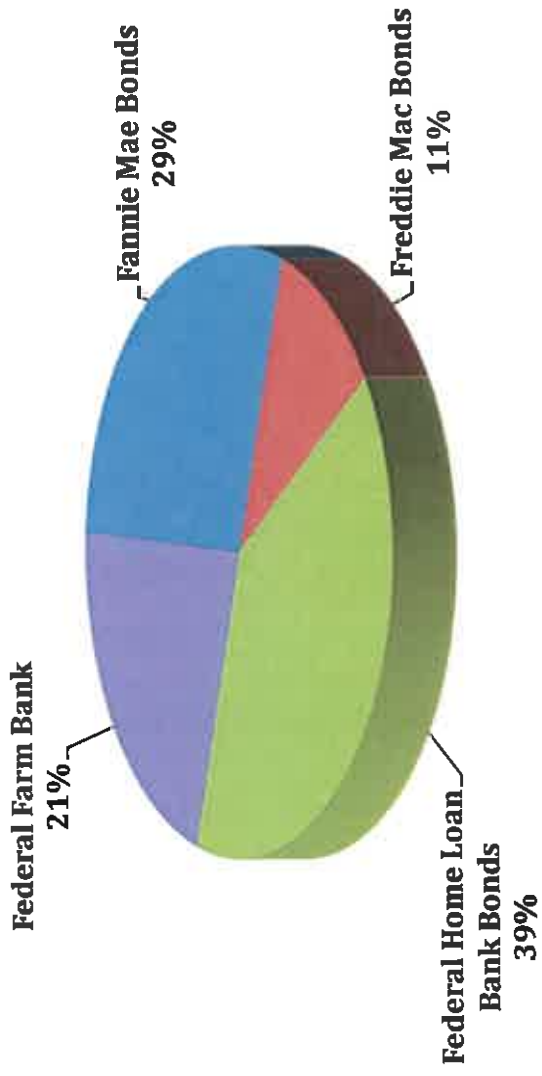
Total Agency Directed Deposits

* Note: Bank of America Payroll Deposits used as compensating balances for bank services.

Inland Empire Utilities Agency
Treasurer's Report of Financial Affairs
 For the Month Ended March 31, 2016
 Agency Investment Portfolio (net of escrow deposits)
\$166,843,633



Inland Empire Utilities Agency
Treasurer's Report of Financial Affairs
For the Month Ended March 31, 2016
U.S. Government Sponsored Entities Portfolio
\$27,974,066



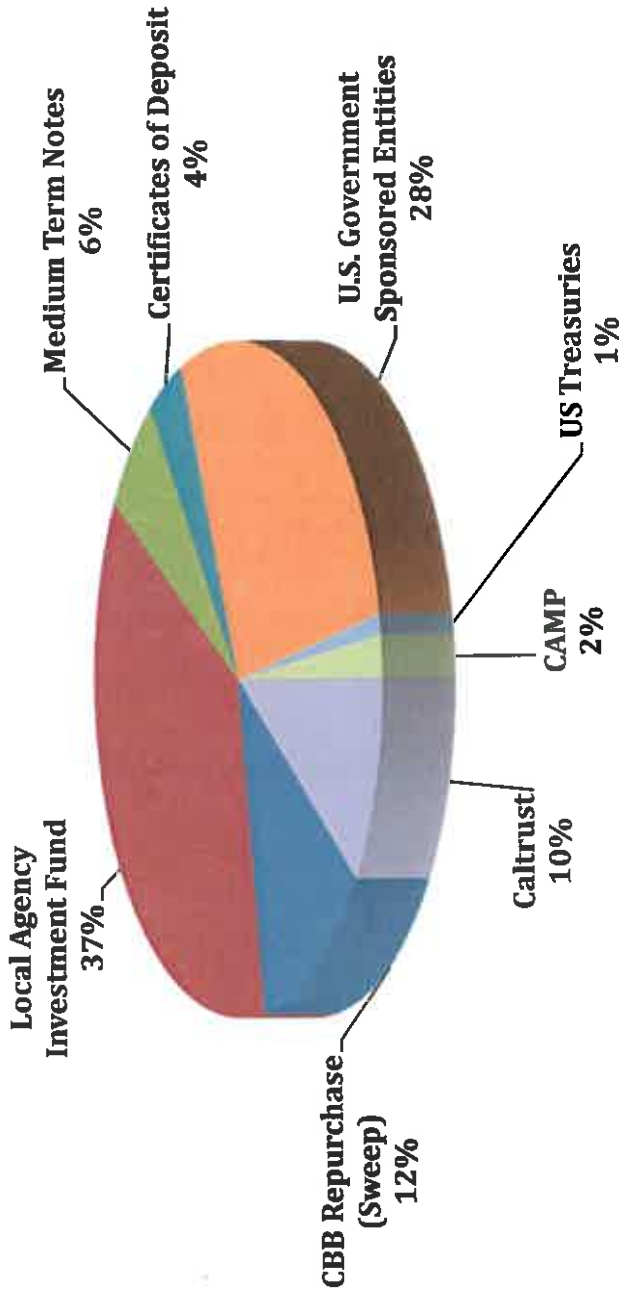
Inland Empire Utilities Agency

Treasurer's Report of Financial Affairs

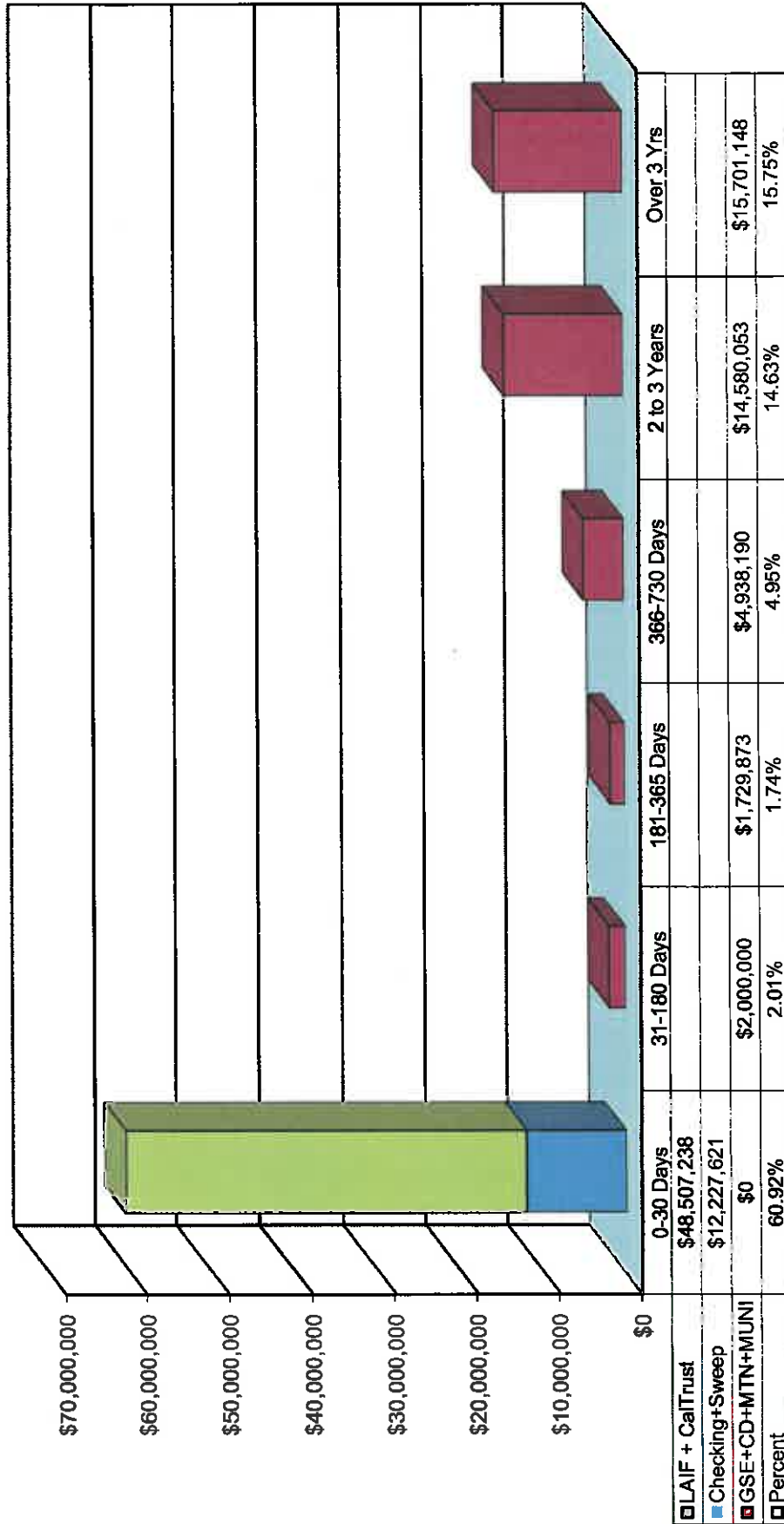
For the Month Ended March 31, 2016

Unrestricted Agency Investment Portfolio

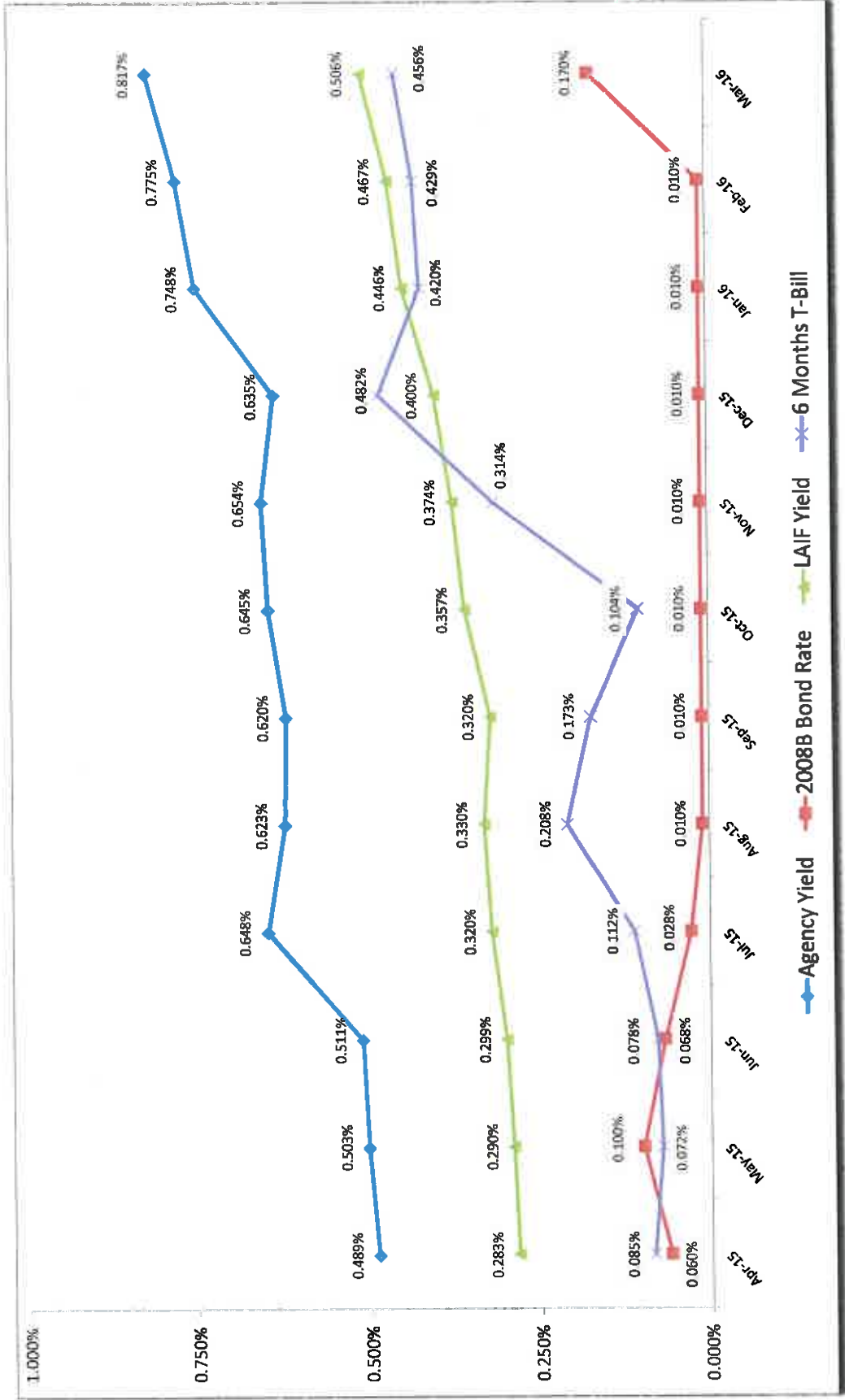
\$99,684,123



Inland Empire Utilities Agency
Treasurer's Report of Financial Affairs
 For the Month Ended March 31, 2016
Agency Investment Portfolio Maturity Distribution
\$99,684,123



Inland Empire Utilities Agency
Treasurer's Report of Financial Affairs
Agency Investment Portfolio Yield Comparison





Treasurer's Report of Financial Affairs for March 31, 2016

**May 2016
Board Meeting**

Report of Financial Affairs

Liquidity

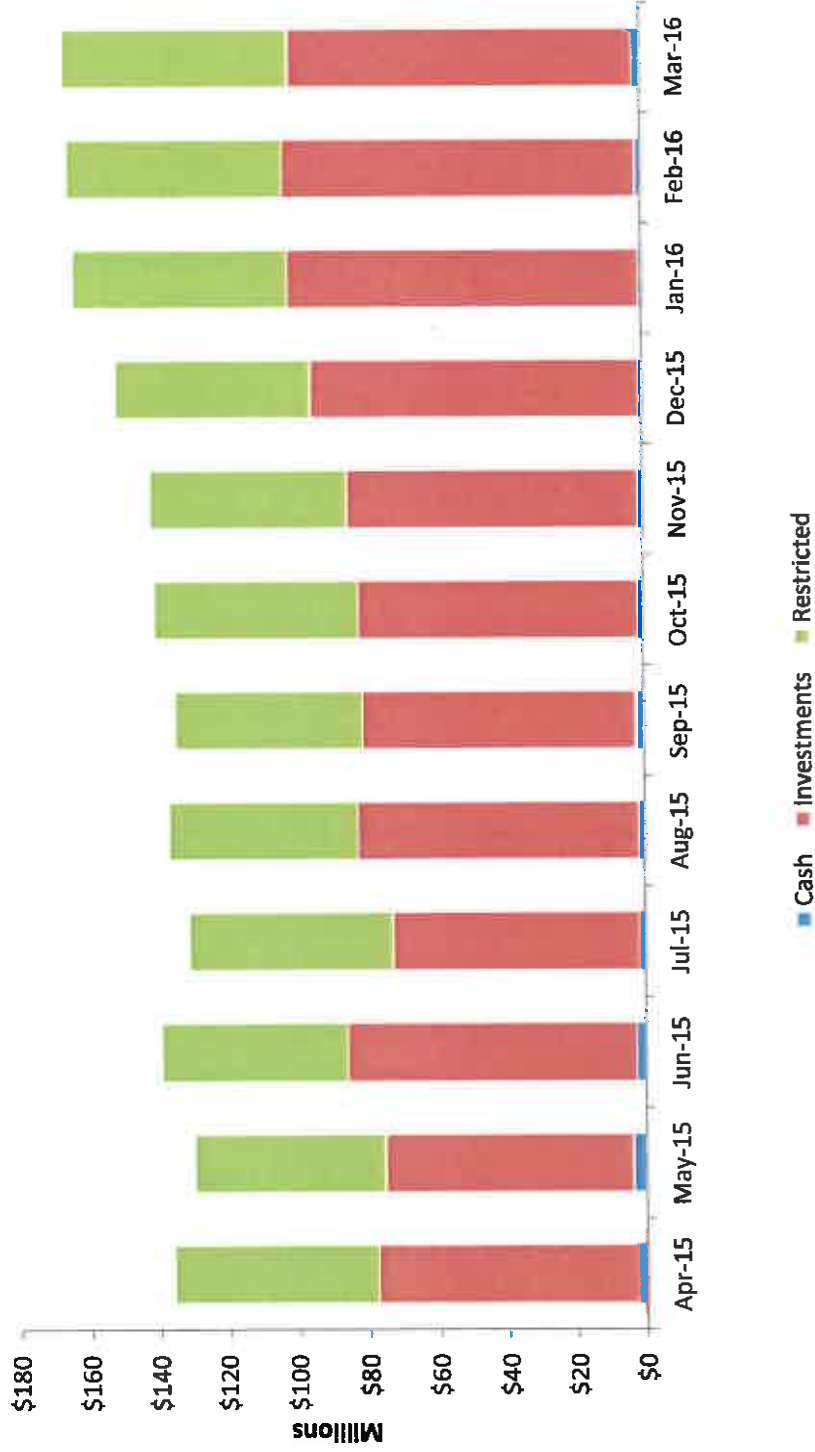
Description	March 2016 (\$ million)	February 2016 (\$ million)	Increase (Decrease) (\$ million)
Total Cash, Investments, and Restricted Deposits	\$166.9	\$165.6	\$1.3
Total Investment Portfolio	\$99.6	\$101.8	(\$2.2)
Investment Portfolio Yield	0.817%	0.775%	0.042%
Weighted Average Duration (years)	1.03	1.04	(0.01)
Average Cash on Hand (days)	235	234	1

Portfolio

Term	Description	Allowable Threshold (\$ million)	Investment Value (\$ million)	Yield	Current Portfolio %
Short Term, Under 1 Year:	LAIF	\$65	\$36.4	0.51%	37%
	CalTrust	\$20	\$10.1	0.69%	10%
	Citizens Business – Sweep	40%	\$12.2	0.30%	12%
	CAMP	\$20	\$2.0	0.50%	2%
	Brokered CDs	30%	\$0.7	0.82%	1%
	US Treasury Note	n/a	\$1.0	0.64%	1%
	US Government Securities	n/a	\$2.0	0.38%	2%
1 to 3 Years:	Brokered CDs	30%	\$2.4	1.33%	2%
	US Government Securities	n/a	\$11.0	1.20%	11%
	Medium Term Notes	10%	\$6.1	1.27%	6%
Over 3 Years:	Brokered CDs	30%	\$0.7	2.36%	1%
	US Government Securities	n/a	\$15.0	1.70%	15%

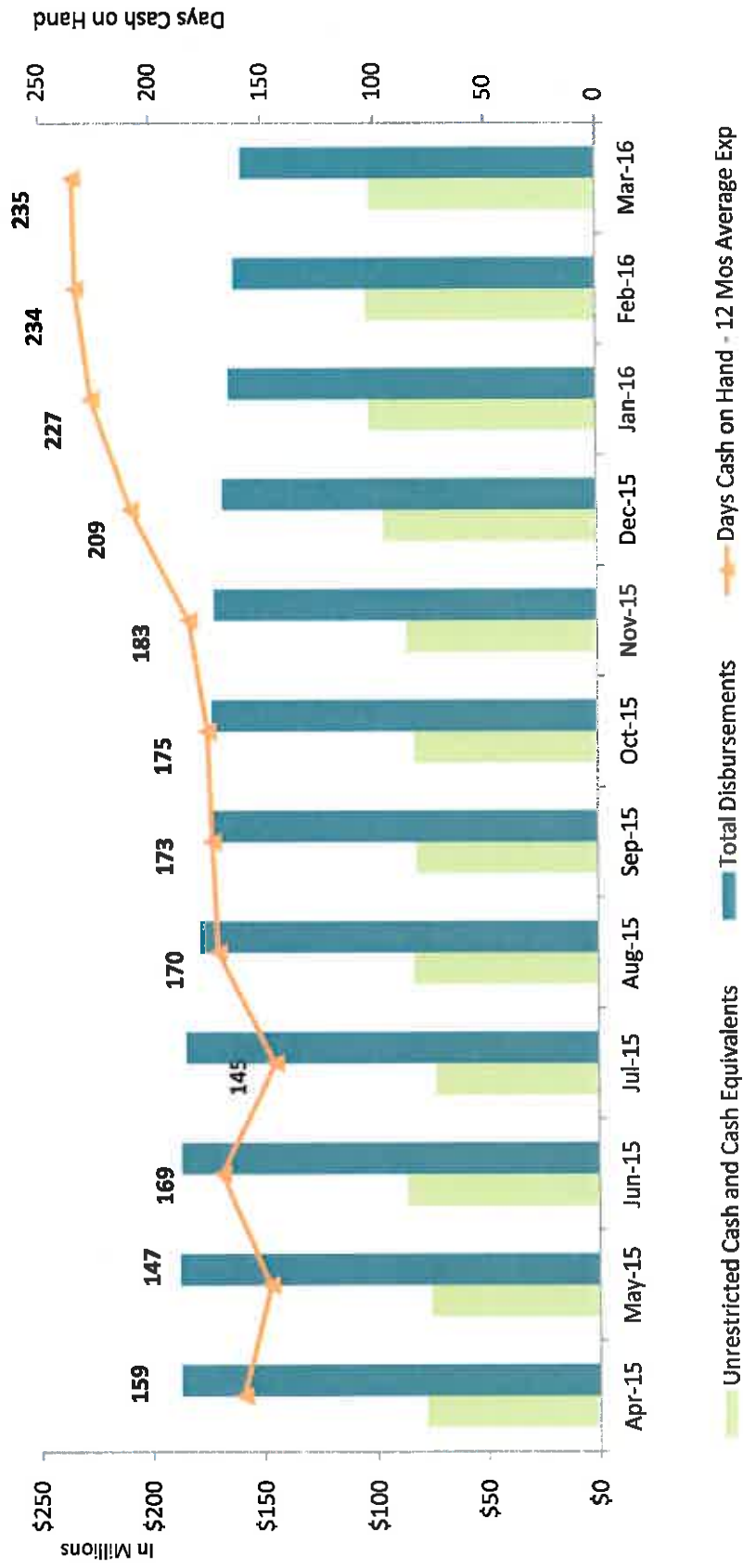
Cash, Investments and Restricted Deposits

Cash, Investments and Restricted Deposits

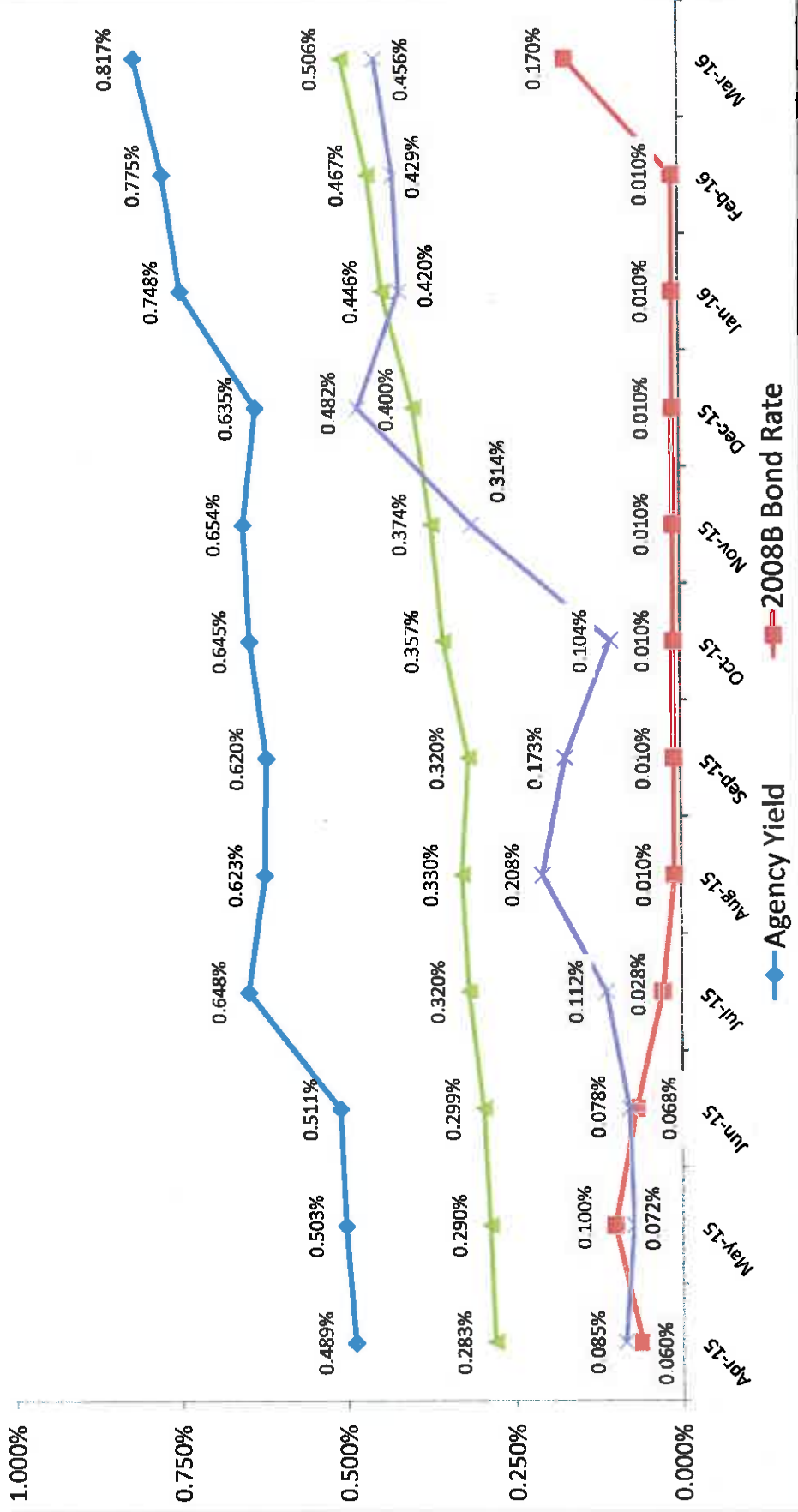


Day Cash On Hand 12 Months Rolling Average

Days Cash on Hand - 12 Mos Rolling



Month End Portfolio Yield Comparison





Questions?

The Treasurer's Report of Financial Affairs is consistent with the Agency's business goal of fiscal responsibility


**INFORMATION
ITEM**


5E


Date: May 18, 2016

To: The Honorable Board of Directors

Through: Finance, Legal, and Administration Committee (05/11/16)

From:  P. Joseph Grindstaff
General Manager

Submitted by:  Christina Valencia
Chief Financial Officer/Assistant General Manager

 Javier Chagoyen- Lazaro
Manager of Finance and Accounting

Subject: FY 2016/17 Adopted Budget for Inland Empire Regional Composting Authority

RECOMMENDATION

The FY 2016/17 Adopted Budget for the Inland Regional Composting Authority is submitted as an informational item for the Board to review and file.

BACKGROUND

Annually, the Inland Empire Regional Composting Authority (IERCA) prepares a budget for operating expenses and capital expenditures. The budget is presented to the IERCA Board for adoption prior to June 30 of each year, pursuant to the Joint Powers Agreement (JPA). The IERCA Board adopted the FY 2016/17 Budget on May 2, 2016.

Revenues

Total revenues and other funding sources are budgeted at \$9.6 million, an increase of \$1.1 million from the FY 2015/16 projected actual. An increase in the tipping fee from \$54 per wet ton of biosolids to \$55 per wet ton was proposed for FY 2016/17. Total wet tons of biosolids are projected to remain at 145,000, resulting in tipping fees of \$8.0 million. Compost sales and deliveries are estimated at \$550,000, equal to the current fiscal year projections. An anticipated capital call of \$1.0 million is included in the FY 2016/17 budget to support capital project spending. If executed, this call will be funded equally by IEUA and Sanitation District No. 2 of Los Angeles County (SDLAC). The call of \$0.5 million for IEUA will be supported by the Regional Wastewater Capital (RC) fund.

Expenses

Total operating expenses are budgeted at \$7.5 million, \$0.5 million higher than the \$7.0 million projected for the current fiscal year. Employment costs, projected for 25 full time equivalent (FTE) positions for FY 2016/17, comprise nearly 50% of total operating costs. Total employment costs are budgeted at \$3.6 million and include a 3.5% cost of living adjustment (COLA) that will take effect on July 1st. IEUA labor costs of \$3.5 million are budgeted in the Regional Wastewater Operations and Maintenance (RO) fund. SDLAC labor costs and other contract labor account for the remaining \$0.1 million. Other significant operating costs include: utilities \$1.3 million, materials and supplies \$1.1 million, professional fees and services \$891,600, and biofilter media replacement \$250,000. Capital expenditures are budgeted at \$1.6 million, an increase of approximately \$844,000 from the current year projected actual. This increase is primarily for capital expansion projects.

Reserves

Total fund balance is estimated to increase slightly from \$2.3 million projected at the end of the current fiscal year to \$2.8 million at the end of FY 2016/17. The estimated ending fund balance is designated as follows: \$1.8 million for operating contingency (based on a minimum of 3 months of budgeted operating costs), \$426,000 for capital replacement and construction, \$345,000 for bio-filter media replacement, and \$200,000 for liability insurance.

Please refer to the attached copies of the IERCA board letter, proposed budget, and presentation dated May 2, 2016.

PRIOR BOARD ACTION

None.

IMPACT ON BUDGET


There will be no impact on the FY 2016/17 budget.

Attachment A – IERCA Board Letter

Attachment B - Schedules 1A – C, FY 2016/17 IERCA Proposed Budget

Attachment C – FY 2016/17 IERCA Budget Presentation



Date: May 2, 2016
To: Honorable Board of Directors
From:  Christina Valencia
Treasurer
Subject: Adoption of IERCA Budget for Fiscal Year 2016/17

RECOMMENDATION

It is recommended that the Board of Directors;

1. Adopt the Inland Empire Regional Composting Authority (IERCA) budget for fiscal year 2016/17;
2. Increase the tipping fee rate to from \$54 to \$55 per wet ton effective July 1, 2016; and
3. Approve a capital call of \$1,000,000 to be shared equally by the Inland Empire Utilities Agency (IEUA) and the Sanitation District No. 2 of Los Angeles County (SDLAC) to support capital improvement project costs, as needed.

BACKGROUND

Pursuant to the Inland Empire Regional Composting Authority Joint Powers Agreement (JPA), an annual operating and capital budget is to be presented and adopted by the JPA Board prior to June 30 each year. The proposed FY 2016/17 budget is based on the following key assumptions:

Revenues

- Increase tipping fee from \$54 to \$55 per wet ton.
- Maintain the estimated biosolids receipts of 145,000 tons.
- Execute \$1,000,000 capital call.

O&M Expenses

- Authorized staffing of 25 full time equivalent (FTEs) positions.
- \$0.130/kWh rate assumed for electricity purchased from the grid.
- \$0.1354/kWh rate for solar power.

Capital Improvement Plan (CIP)

- \$650,000 capital construction projects supported by capital call and designated fund reserves.
- \$938,500 capital rehabilitation and replacement (R&R) projects supported by tipping fees.

(\$ Millions)	Actual 2014/15	Adopted Budget 2015/16	Amended Budget 2015/16	Projected Actual 2015/16	Proposed 2016/17
Total Capital/ R&R Projects	\$3.97	\$1.03	\$1.19	\$0.71	\$1.59

The increase of \$166,000 between the FY 2015/16 adopted and amended budget is primarily due open encumbrances carried forward from the prior fiscal year. Cumulative project costs for FY 2015/16 projects are within the respective total project budget.

Not included in the proposed capital improvement plan (CIP) budget is the expansion of the solar renewable energy system. Staff is currently evaluating alternative financing options, including direct purchase of the solar panels to take advantage of the federal/state incentives, or a power purchase agreement similar to the one exercised for the existing system.

A recommendation will be brought forth the JPA Board at the completion of the business case evaluation.

FY 2016/17 Budget Summary

The following section summarizes the FY 2016/17 budget for total revenues, expenses, and capital expenditures.

An increase of approximately \$1,095,000 is projected for total revenues in FY 2016/17 of \$9.6 million compared to the \$8.5 million of FY 2015/16 projected actual.

REVENUES	\$ 000's	\$/Ton	Assumptions
Tipping Fees	\$7,975	\$55	Based on 145,000 wet tons per year @ a rate of \$55.00/ton
Contributed Capital	1,000		Capital call equally shared by IEUA and <u>SDLAC</u> . The last approved call was adopted in the FY 2014/15 budget, but no call was executed.
Compost Sales/ Organics Waste Recycling/Compost Deliveries	550		100% sales of compost products Compost delivery service
Biosolids Administration Fees	25		Tipping fee surcharge paid by third party biosolids suppliers
Energy Rebates	12		
Interest Revenue	10		Assumes 0.5% annual interest rate
Other Non-Operating Revenues	5		Miscellaneous credits
Total Revenues	\$9,577		

Total operating expenses of \$7.5 million proposed for FY 2016/17 are approximately \$500,000 higher than current fiscal year projected actual of \$7.0 million.

OPERATING EXPENSES	\$,000's	Assumptions
Employment	3,620	25 FTEs and operations support provided by IEUA/SDLAC
Utilities	1,252	Includes power purchases from the grid and solar renewable energy
Materials & Supplies	1,323	Includes facility maintenance supplies, diesel fuel, and biofilter media replacement reserve
Professional Services	892	Includes compost transport and contracted services
Office & Administration	48	Includes employee training, memberships and office supplies
Other Expenses	371	Includes leases/rental and financial expenses, insurance, operating fees (Non-Reclaimable Wastewater charges, permits and licenses.)
Total Expenses	\$7,506	

FY 2016/17 project budget of \$1.6 million represent an increase of approximately \$874,000 compared to the FY 2015/16 projected actual. The additional amount is primarily driven by higher R&R requirements and additional facility improvements.

CAPITAL PROJECTS	\$,000's	Project Description
Capital Construction		
Baghouse Improvements	350	Modification of additional ducting to prevent dust accumulation and make the ducting system homogeneous throughout.
MCC HVAC Improvements	200	Replacement of existing air conditioning units to keep the facility operational without impacting productivity or quality of compost.
Building Improvements	100	Improvements to retrofit the conference room and create additional warehouse storage and office space.
Subtotal Capital Construction	\$650	
Capital R&R		
Capital Replacement	500	Unplanned facility and equipment rehabilitation and replacement.
Fire Sprinkler Improvements	200	Replacement of the exposed fire sprinkler system that has been corroded by the IERCF atmosphere.
Receiving Pit	150	
Other Capital Projects	89	Includes IS projects to replace printers, VM host servers, network switches, and database servers.
Subtotal R&R	\$939	
Total Capital Project Budget	\$1,589	

Fund Balance

Based on the proposed budget, the total ending fund balance is estimated to be \$2.8 million at the end of FY 2016/17; an increase of approximately \$480,000 from the projected ending balance at the end of the current fiscal year. Included in the \$2.8 million is the \$1.0 million capital call to support capital construction project expenditures if needed.

Designation of Fund Balance

Maintaining an adequate fund balance is essential in ensuring the JPA's ability to support day-to-day operations and near term operating and capital requirements. The table below summarizes the proposed designation for the estimated fund balance of \$2.8 million at the end of FY 2016/17, along with the intended funding sources.

Fund Balance Category	Description	Estimated Ending Balance as of 6/30/2017 (\$Thousands)	Funding Source
Operating Contingency	Equal to three months of operating expenses to address unplanned eve	\$1,814	Tipping fees
BioFilter Replacement	Annual deposits build to support full replacement every 5 years	345	
Insurance Liability	Self-insurance program	200	
Capital Replacement/Construction	Projected R&R costs over the next 5 years averages about \$5 per wet ton. Approximately \$2.75 per wet ton is covered by the proposed \$55 fee.	426	Replacement-Tipping Fees Construction -- Capital Call
Total		\$2,785	

PRIOR BOARD ACTION

The Board adopted the FY 2015/16 budget on May 4, 2015.

IMPACT ON BUDGET

None.

Inland Empire Regional Composting Authority
 Fiscal Year 2016/17 Proposed Budget -
 Schedule A Summary

	Actuals 2013/14	Actual 2014/15	Adopted 2015/16	Amended 2015/16	Proj Actual 2015/16	Proposed 2016/17	2017/18	2018/19	2019/20	2020/21
Rate Per Ton	\$52.00	\$54.00	\$54.00	\$54.00	\$54.00	\$55.00	\$56.00	\$57.00	\$58.00	\$60.00
Actual/Projected Tonnage	146,611	145,540	145,000	145,000	145,000	145,000	145,000	145,000	145,000	145,000
Revenues										
Contributed Capital	\$0	\$0	\$0	\$0	\$0	(\$1,000,000)	\$0	(\$1,000,000)	\$0	\$0
Biosolids Recycling (Tipping Fees)	(7,715,437)	(7,922,761)	(7,830,000)	(7,830,000)	(7,900,000)	(7,975,000)	(8,120,000)	(8,265,000)	(8,410,000)	(8,700,000)
Biosolids Recycling Admin Fees	(300)	(300)	-	(23,500)	(10,000)	(25,000)	(25,000)	(25,000)	(25,000)	(25,000)
Compost Delivery Svcs	(93,888)	(167,588)	(180,000)	(180,000)	(200,000)	(200,000)	(200,000)	(200,000)	(200,000)	(200,000)
Compost Sales	(475,339)	(407,252)	(400,000)	(400,000)	(350,000)	(350,000)	(350,000)	(350,000)	(350,000)	(350,000)
Energy/Cap Rebates	(17,442)	(1,695)	(15,000)	(15,000)	(10,000)	(12,000)	(12,000)	(12,000)	(12,000)	(12,000)
Interest Income	(16,006)	(15,960)	(18,000)	(18,000)	(12,000)	(10,000)	(18,000)	(18,000)	(18,000)	(18,000)
Proceeds from Sale of Assets	(400)	-	-	-	-	-	-	-	-	-
Draw on Biofilter Reserve	-	-	-	-	-	-	-	-	-	-
Other Non Operating Revenues	(1,690)	(15,047)	(5,000)	(5,000)	-	(5,000)	(5,000)	(5,000)	(5,000)	(5,000)
Total Revenues Available for Expenses	(\$9,320,203)	(\$9,530,604)	(\$9,448,000)	(\$9,471,500)	(\$9,402,000)	(\$9,577,000)	(\$9,730,000)	(\$9,875,000)	(\$9,920,000)	(\$10,310,000)
Expenses										
Labor	\$3,190,056	\$3,477,139	\$3,482,317	\$3,501,703	\$3,427,317	\$3,619,831	\$3,804,311	\$3,913,200	\$4,019,857	\$4,115,598
Office & Administration	44,567	43,560	53,916	54,927	45,590	47,960	49,245	50,762	52,213	53,699
Professional Fees & Services	558,144	945,838	770,100	1,074,988	764,361	891,600	917,853	944,889	972,745	1,001,932
Materials & Supplies/O&M Projects	949,128	1,077,806	1,090,700	1,151,301	1,015,600	1,073,100	1,180,473	1,213,817	1,248,162	1,283,537
Bio Filter Media Replacement	-	719,792	250,000	250,000	-	250,000	257,500	265,225	273,182	1,000,000
Insurance	146,256	159,160	163,000	163,000	151,938	165,000	170,100	180,353	185,764	191,336
Operating Fees	43,279	77,952	87,556	87,556	74,310	91,800	93,654	95,564	97,531	99,557
Utilities	1,255,181	1,164,936	1,263,425	1,263,425	1,442,148	1,251,830	1,292,179	1,333,944	1,376,962	1,421,271
Leases & Rentals	72,958	92,958	112,000	117,966	80,000	115,000	118,450	122,003	125,664	129,433
Financial Expenses	16,684	241,333	100	100	100	100	100	100	100	100
Total Expenses	\$6,276,252	\$8,000,473	\$7,273,114	\$7,664,966	\$7,001,364	\$7,506,021	\$7,883,865	\$8,119,859	\$8,352,179	\$9,296,464
Capital Projects										
Capital Replacement Project	\$3,436,382	\$2,916,757	\$825,000	\$991,563	\$714,615	\$998,500	\$575,000	\$900,000	\$800,000	\$800,000
Capital Expansion Projects	15,144	1,051,029	200,000	200,000	-	650,000	100,000	-	-	-
Total Capital Projects	\$3,451,526	\$3,967,786	\$1,025,000	\$1,191,563	\$714,615	\$1,588,500	\$675,000	\$900,000	\$800,000	\$800,000
Net Profit/(Loss)	(\$1,407,575)	(\$3,437,655)	\$149,886	(\$385,029)	\$766,021	\$482,479	\$171,135	\$955,141	(\$132,179)	\$213,536
Reserves										
Beginning Reserve Balance	\$6,381,688	\$4,974,113	\$3,948,179	\$1,536,457	\$1,536,457	\$2,302,479	\$2,784,958	\$2,956,093	\$3,911,234	\$3,911,234
Ending Reserve Balance	\$4,974,113	\$1,536,457	\$4,098,064	\$1,151,428	\$2,302,479	\$2,784,958	\$2,956,093	\$3,911,234	\$3,779,055	\$3,992,591
Operating Contingency (Smiths Expenses)	\$2,092,084	\$2,666,824	\$2,341,038	\$1,853,742	\$1,750,341	\$1,814,005	\$1,906,591	\$1,963,658	\$2,019,749	\$2,074,116
Replacement Reserve - BioFilter	100,000	200,000	400,000	272,500	272,500	345,000	417,500	620,500	823,500	26,500
Insurance Liability (Risk Mgmt)	200,000	200,000	200,000	200,000	200,000	200,000	200,000	200,000	200,000	200,000
Capital Replacement & Construction	2,582,029	(1,530,367)	1,154,026	(1,174,813)	79,688	425,953	432,002	1,127,076	755,805	1,691,975
Total Reserve Balance	\$4,974,113	\$1,536,457	\$4,098,064	\$1,151,428	\$2,302,479	\$2,784,958	\$2,956,093	\$3,911,234	\$3,779,055	\$3,992,591

Inland Empire Regional Composting Authority
 Fiscal Year 2016/17 Proposed Budget - Schedule B Detail

Cost Center	Cost Element	Actual 2013/14	Actual 2014/15	Adopted 2015/16	Amended 2015/16	Proj. Actual 2015/16	Proposed 2016/17	2017/18	2018/19	2019/20	2020/21
Tonnage/Rate											
	Tons		145,540					145,000	145,000	145,000	145,000
	O&M Cost per ton	\$ 42.81	\$ 54.97	\$ 50.16	\$ 52.86	\$ 48.29	\$ 51.77	\$ 54.37	\$ 56.00	\$ 57.60	\$ 57.22
	Biofilter Media Replacement Reserve			\$ 1.40	\$ 0.50	\$ 0.50	\$ 0.50	\$ 0.50	\$ 1.40	\$ 1.40	\$ 1.40
	Capital Expansion Cost per Ton			\$ 7.07	\$ 8.22	\$ 4.93	\$ 4.48	\$ 0.69	\$ -	\$ -	\$ -
	Capital Replacement Cost per Ton	\$ 23.54	\$ 27.26	\$ 58.63	\$ 61.58	\$ 53.71	\$ 63.22	\$ 59.53	\$ 62.92	\$ 64.52	\$ 64.13
	Total Cost Per Ton	\$ 66.95	\$ 82.23	\$ 58.63	\$ 61.58	\$ 53.71	\$ 63.22	\$ 59.53	\$ 62.92	\$ 64.52	\$ 64.13
	Member Contributions										
	CIP Funded by Reserves										
	Rate Per Ton	\$ 66.95	\$ 82.23	\$ 58.63	\$ 61.58	\$ 53.71	\$ 63.22	\$ 59.53	\$ 62.92	\$ 64.52	\$ 64.13
	Adopted Rate Per Ton	\$ 52.00	\$ 54.00	\$ 54.00	\$ 54.00	\$ 54.00	\$ 55.00	\$ 56.00	\$ 57.00	\$ 58.00	\$ 60.00
Revenues											
211112	406000 Compost Delivery Svs	(93,888)	(167,589)	(180,000)	(180,000)	(200,000)	(200,000)	(200,000)	(200,000)	(200,000)	(200,000)
211112	406200 Compost Sales	(475,339)	(407,252)	(400,000)	(400,000)	(350,000)	(350,000)	(350,000)	(350,000)	(350,000)	(350,000)
	Service Charges	(569,227)	(574,841)	(580,000)	(580,000)	(550,000)	(550,000)	(550,000)	(550,000)	(550,000)	(550,000)
200112	404010 Biosolids Recycling (Tipping Fees)	(7,715,437)	(7,922,761)	(7,830,000)	(7,830,000)	(7,900,000)	(7,975,000)	(8,120,000)	(8,265,000)	(8,410,000)	(8,700,000)
200112	409920 Biosolids Recycling Admin Fees	(300)	(300)	-	(23,500)	(10,000)	(25,000)	(25,000)	(25,000)	(25,000)	(25,000)
	Sales	(7,715,437)	(7,923,061)	(7,830,000)	(7,853,500)	(7,910,000)	(8,000,000)	(8,145,000)	(8,290,000)	(8,435,000)	(8,725,000)
211112	412030 Energy/Cap Rebates	(17,442)	(1,695)	(15,000)	(15,000)	(10,000)	(12,000)	(12,000)	(12,000)	(12,000)	(12,000)
	Other Revenues	(17,442)	(1,695)	(15,000)	(15,000)	(10,000)	(12,000)	(12,000)	(12,000)	(12,000)	(12,000)
	Operating Revenues	(8,302,106)	(8,489,597)	(8,425,000)	(8,448,500)	(8,470,000)	(8,562,000)	(8,707,000)	(8,852,000)	(8,997,000)	(9,287,000)
211112	480110 Interest Income	(16,006)	(15,960)	(18,000)	(18,000)	(12,000)	(10,000)	(18,000)	(18,000)	(18,000)	(18,000)
211112	483010 Contributed Capital								(1,000,000)		
211112	493110 Proceeds from Sale of Assets	(400)									
	Draw on Reserves for Biofilter Reserve										
211112	499010 Other Non Operating Revenues	(1,690)	(15,047)	(5,000)	(5,000)		(5,000)	(5,000)	(5,000)	(5,000)	(5,000)
	Non Operating Revenues	(18,097)	(31,007)	(23,000)	(23,000)	(12,000)	(1,015,000)	(23,000)	(1,023,000)	(23,000)	(1,023,000)
	TOTAL REVENUES	(8,320,203)	(8,530,604)	(8,448,000)	(8,471,500)	(8,482,000)	(9,577,000)	(8,730,000)	(9,875,000)	(9,020,000)	(10,310,000)
Expenses											
Office & Administration											
211112	511120 Employee Training and Seminars - Dept Sp	6,529	2,255	7,500	7,500	7,500	7,500	7,725	7,957	8,195	8,441
211112	511210 Overtime - Meal Costs			150	150						
211112	511220 Travel Costs - Mileage Reimbursement	9,111	12,494	9,800	9,800	9,800	9,800	10,000	10,400	10,700	11,000
211112	511230 Travel Costs - Transportation	1,172	1,569	2,400	2,400	1,000	1,000	1,030	1,061	1,093	1,125
211112	511240 Travel Costs - Meals	628	430	800	800	310	310	319	329	339	349
211112	511250 Travel Costs - Lodging	2,135	2,288	4,500	4,500	1,500	2,500	2,575	2,652	2,732	2,814
211112	511290 Travel Costs - Other	288	231	300	300	200	200	206	212	219	225
211112	511330 Safety Awards		100			240	240	247	255	262	270
211112	512010 Office Supplies-General	6,853	6,801	8,300	9,311	8,000	8,000	8,240	8,487	8,742	9,004
211112	512210 Forms, Printing and Copying costs		427	350	350	350	360	371	382	393	405
211112	512350 Postage and Delivery Charges	23	1,268	1,000	1,000	700	500	515	530	546	563

Inland Empire Regional Composting Authority
 Fiscal Year 2016/17 Proposed Budget - Schedule B Detail

Cost Center	Cost Element	Act. est 2013/14	Actual 2014/15	Adopted 2015/16	Amended 2015/16	Proj Actual 2015/16	Proposed 2016/17	2017/18	2018/19	2019/20	2020/21
211112	513010 Meeting Expenses	1,413	2,044	1,560	1,560	3,000	3,000	3,000	3,000	3,000	3,000
211112	513020 Conference Expenses	1,130	2,095	2,750	2,750	1,000	2,000	2,060	2,122	2,185	2,251
211112	514010 Memberships - Agency Wide	11,050	10,300	11,000	11,000	11,000	11,000	11,360	11,731	12,113	12,506
211112	514020 Memberships - Cost Center / Employee Spe	-	-	156	156	-	-	-	-	-	-
211112	514110 Subscriptions and Publications	-	222	450	450	400	450	464	477	492	507
211112	514210 Registrations-DMV, Title, Permit, Applic	-	226	500	500	500	500	515	530	546	563
211112	515030 Contributions-Sponsorships	1,208	250	1,800	1,800	-	-	-	-	-	-
211112	516010 Ad's-Newspaper/Mag Announce	3,028	186	200	200	100	200	206	212	219	225
211112	519510 Othr Admin Expense	-	375	400	400	-	400	412	424	437	450
211112	519530 Fines & Penalties	-	-	400	400	-	400	412	424	437	450
	Office & Administration Expenses	44,367	43,560	53,916	54,927	45,590	47,960	49,245	50,762	52,213	53,699
	Materials & Supplies										
211112	512110 Operating Supplies - General	21,350	23,928	12,000	12,000	12,000	12,000	12,360	12,731	13,113	13,506
211112	512140 Uniform / Throw Rugs	14,641	18,094	16,500	16,500	16,500	17,000	17,510	18,035	18,576	19,134
211112	512160 Laboratory Supplies	3,700	1,616	5,000	5,000	3,000	5,000	5,150	5,305	5,464	5,628
211112	512170 Operations & Maintenance Supplies	275,374	405,860	450,000	472,298	450,000	475,000	489,250	503,927	519,045	534,617
211112	512190 Disaster Preparedness Supplies	50	-	100	100	100	100	103	106	109	113
211112	512410 Fuel	214,732	159,030	240,000	259,170	200,000	200,000	257,500	265,225	273,182	281,377
211112	512440 Industrial Gases	18	-	-	-	-	-	-	-	-	-
211112	512450 Fleet Parts & Supplies	30	2,620	2,100	2,100	2,000	2,000	2,000	2,000	2,000	2,000
211112	512610 Equipment/Furniture - Office - Low Value	1,284	108	5,000	5,000	2,000	2,000	2,000	2,000	2,000	2,000
211112	512660 Equipment - Small Tools/Equip-< \$2000	4,759	5,472	310,000	326,739	300,000	320,000	329,600	339,488	349,673	360,163
211112	512710 Equipment Maintenance & Supplies	316,269	232,349	50,000	52,394	30,000	40,000	40,000	40,000	40,000	40,000
211112	512910 Other Materials & Supplies	69,792	222,383	250,000	250,000	-	250,000	257,500	265,225	273,182	1,000,000
211112	512920 Biofilter Media Replacement	27,130	6,346	-	-	-	-	25,000	25,000	25,000	25,000
211112	O&M/Projects	949,128	1,797,598	1,340,700	1,401,301	1,015,600	1,329,100	1,437,973	1,479,042	1,521,344	2,283,537
	Materials & Supplies			1,340,700	1,401,301	1,015,600	1,329,100	1,437,973	1,479,042	1,521,344	2,283,537
	Insurance										
211112	517010 Insurance Premiums - Liability	29,914	38,560	38,000	38,000	29,312	35,000	36,200	42,436	43,709	45,020
211112	517210 Insurance Premiums - Casualty	116,600	120,600	125,000	125,000	122,626	130,000	133,900	137,917	142,054	146,316
211112	517510 Insurance Deductions - Property Loss	(258)	-	-	-	-	-	-	-	-	-
	Insurance	146,256	159,160	163,000	163,000	151,938	165,000	170,100	180,353	185,764	191,336
	Professional Fees & Services										
211112	520110 External Audit Services	4,450	4,049	5,000	5,101	5,000	5,000	5,150	5,300	5,463	5,627
211112	520210 Legal Fees - General	9,928	15,024	8,500	8,500	7,761	8,500	8,500	8,500	8,500	9,000
211112	520230 Legal Fees - Litigation	-	-	5,000	5,000	2,000	5,000	5,000	5,000	5,000	5,000
211112	520960 Internet Services	-	10	-	-	-	-	-	-	-	-
211112	520980 Professional Services - Other	48,964	-	-	-	-	-	-	-	-	-
211112	521010 Contract Labor	98,799	89,268	60,000	79,386	60,000	62,000	63,860	65,776	67,749	69,782
211112	521015 Contract Labor_IJEA	3,054,632	3,359,606	3,350,317	3,350,317	3,350,317	3,525,831	3,707,491	3,813,476	3,917,141	4,009,800
212112	521018 Contract Labor-LACSD	21,388	16,258	65,000	65,000	10,000	25,000	25,750	26,522	27,318	28,138
211112	521030 Contract Burden	15,237	12,008	7,000	7,000	7,000	7,000	7,210	7,426	7,649	7,879
211112	521050 Contract Materials	813	520	3,000	3,000	1,000	3,000	3,000	3,000	3,000	3,000
211112	521080 Other Contractual Services	431,339	888,202	700,000	1,000,997	700,000	820,000	844,600	869,938	896,036	922,917
211112	521110 Outside Svc's-Landscaping/Weed/Pest Cntr	8,050	7,864	8,300	8,368	8,300	8,500	8,755	9,018	9,288	9,567
211112	521120 Outside Services - Security	13,646	13,646	24,000	24,492	24,000	25,000	25,750	26,522	27,318	28,138
211112	521130 Outside Services - Janitorial	11,293	10,369	11,300	11,873	11,300	11,600	11,948	12,306	12,676	13,056

Inland Empire Regional Composting Authority
Fiscal Year 2016/17 Proposed Budget - Schedule B Detail

Cost Center	Cost Element	Actual 2013/14	Actual 2014/15	Adopted 2015/16	Amended 2015/16	Proj Actual 2015/16	Proposed 2016/17	2017/18	2018/19	2019/20	2020/21
	211112 521220 Laboratory Services - Outside	16,160	6,153	5,000	7,656	5,000	5,000	5,150	5,305	5,464	5,628
	211112 521410 Computer Systems Maintenance	13,500	-	-	-	-	-	-	-	-	-
	Prof. Fees & Services	3,748,200	4,422,978	4,252,417	4,576,691	4,191,678	4,511,431	4,722,164	4,858,090	4,992,602	5,117,530
	Operating Fees										
	211112 519310 Operating Permits, Licenses & Fees	18,231	11,430	35,000	35,000	20,000	20,000	20,000	20,000	20,000	20,000
	211112 540110 Wastewater-Volumetric Fees	9,699	8,279	9,000	9,000	10,000	10,000	10,000	10,000	10,000	10,000
	211112 540210 Strength Charges-BOD/COD	8,338	12,488	7,000	7,000	12,000	17,500	18,025	18,566	19,123	19,696
	211112 540220 Strength Charges-TSS	1,720	13,323	13,000	13,000	4,400	4,500	4,635	4,774	4,917	5,065
	211112 540223 Strength Charges-TSS Discrepancy Charge	-	7,441	3,000	3,000	4,910	5,000	5,150	5,305	5,464	5,628
	211112 540320 Monthly Capacity Charge-Regional	4,211	5,070	18,000	18,000	-	-	-	-	-	-
	211112 540330 Capital Improv Proj (CIP) Fees	1,080	19,921	2,556	2,556	23,000	34,800	35,844	36,919	38,027	39,168
	Operating Fees	43,279	77,952	87,556	87,556	74,310	91,800	93,654	95,564	97,531	99,557
	Utilities										
	211112 545110 Electricity	982,941	906,078	1,000,000	1,000,000	1,194,223	1,000,000	1,033,000	1,066,990	1,102,000	1,138,060
	211112 545220 Solar Power	233,775	224,396	225,675	225,675	225,675	230,180	237,085	244,198	251,524	259,070
	211112 545310 Cell Phone Accessories	-	174	250	250	-	250	258	265	273	281
	211112 545311 Cell Phone Expenses	7,294	7,050	6,700	6,700	8,000	6,900	7,107	7,320	7,540	7,766
	211112 545320 Telephone	1,134	1,009	1,800	1,800	250	300	309	318	328	338
	211112 545360 Disposal Service	26,893	22,835	25,000	25,000	10,000	10,000	10,300	10,609	10,927	11,255
	211112 545370 Water	3,143	3,393	4,000	4,000	4,000	4,000	4,120	4,244	4,371	4,502
	Utilities	1,255,181	1,164,986	1,263,425	1,263,425	1,442,148	1,251,630	1,292,179	1,333,944	1,376,962	1,421,271
	Leases/Rentals										
	211112 512730 Equipment Rental (Non Lease)	71,085	21,810	30,000	35,966	10,000	30,000	30,900	31,827	32,782	33,765
	211112 547110 Building / Trailer Leases	72,958	71,148	82,000	82,000	70,000	85,000	87,550	90,176	92,882	95,668
	Lease/Rentals	144,043	92,958	112,000	117,966	80,000	115,000	118,450	122,003	125,664	129,433
	Operating Expenses	6,259,568	7,759,141	7,273,014	7,664,866	7,001,264	7,505,921	7,883,765	8,119,759	8,352,079	8,296,364
	Financial Expenses										
	211112 551010 Bank Service Charges / Fees	55	94	100	100	100	100	100	100	100	100
	211112 580020 Loss on Sale of Asset	16,629	237,166	-	-	-	-	-	-	-	-
	211112 580050 Bad Debt Expense	16,629	4,073	-	-	-	-	-	-	-	-
	Financial Expenses	16,684	241,333	100	100	100	100	100	100	100	100
	Interest Expenses										
	Interest Expenses	16,684	241,333	100	100	100	100	100	100	100	100
	Non-Operating Expenses										
	Capital Projects										
	Capital Replacement Projects	3,436,382	2,916,757	825,000	991,563	714,615	938,500	575,000	800,000	800,000	800,000
	Capital Expansion Projects	15,144	1,051,029	200,000	200,000	-	650,000	100,000	-	-	-
	Capital Projects	3,451,526	3,967,786	1,025,000	1,191,563	714,615	1,588,500	675,000	800,000	800,000	800,000
	TOTAL EXPENSES	9,727,778	11,968,259	8,296,114	8,856,529	7,715,979	9,094,521	8,558,865	8,919,859	9,152,179	10,096,464
	Net Profit/(Loss)	(1,407,575)	(3,437,655)	149,886	(385,029)	766,021	482,479	171,135	955,141	(132,179)	213,536

Inland Empire Regional Composting Authority
 Fiscal Year 2016/17 Proposed Budget - Schedule C Projects

Project No.	Project Title	Actual		Adopted	Amended	Proj. Actual	Proposed	Forecast				
		2013/14	2014/15					2015/16	2016/17	2017/18	2018/19	2019/20
Capital Projects												
Capital Replacement												
<i>Completed & Closed Projects</i>												
RA11001	RCA Capital Replacement	259,763	619,464	-	-	-	-	500,000	-	-	-	-
RA11004	IERCF Process Improvements	349,975	271,406	500,000	560,458	350,000	500,000	500,000	500,000	500,000	500,000	500,000
RA14002	IERCF Locker Room AC	2,721,777	2,014,544	-	21,475	173,150	-	-	-	-	-	-
RA14003	IERCF Receiving Pit	80,257	3,875	-	-	-	150,000	-	-	-	-	-
RA14004	IERCF Harmonic Filtr	9,793	387	250,000	250,000	100,000	150,000	-	-	-	-	-
RA16001	IERCF Fire Sprinkler Improvements	14,817	7,081	-	5,630	760	-	-	-	-	-	-
RA16002	IERCA ControlNet Replacement	-	-	75,000	75,000	-	200,000	-	-	-	-	-
RA16003	IERCF Data Server Replacement	-	-	-	54,000	51,205	-	-	-	-	-	-
RA16005	IERCF Workstation Replacement	-	-	-	-	19,500	-	-	-	-	-	-
RA17001	IERCF Workstation Replacement	-	-	-	25,000	20,000	-	-	-	-	-	-
RA17002	IERCF Transition Air Duct Improvements	-	-	-	-	-	-	75,000	300,000	-	-	-
RA17003	IERCF Replace Printers	-	-	-	-	-	4,700	-	-	-	-	-
RA17004	IERCF Replace VM Host Servers	-	-	-	-	-	44,800	-	-	-	-	-
RA17005	IERCF Replace Network Switches	-	-	-	-	-	25,000	-	-	-	-	-
RA20003	IERCF UPS Replacement	-	-	-	-	-	14,000	-	-	-	-	-
RA20004	IERCF Belt Conveyor Improvements	-	-	-	-	-	-	-	-	300,000	-	-
RA23001	IERCF Misc Fan Improvements	-	-	-	-	-	-	-	-	-	-	-
	IERCF Inner Roof Lining Repair	-	-	-	-	-	-	-	-	-	-	-
	Total Capital Replacement Projects	3,436,582	2,916,757	825,000	991,563	714,615	938,500	575,000	800,000	800,000	800,000	800,000
Capital Expansion												
RA15001	IERCF Baghouse Improvements	15,144	1,051,029	200,000	200,000	-	350,000	-	-	-	-	-
RA17006	MCC HVAC Improvements	-	-	-	-	-	200,000	-	-	-	-	-
RA17007	IERCF Building Improvements	-	-	-	-	-	100,000	100,000	-	-	-	-
	Total Capital Expansion Projects	15,144	1,051,029	200,000	200,000	-	650,000	100,000	-	-	-	-
	Total Capital Projects	3,451,526	3,967,786	1,025,000	1,191,563	714,615	1,588,500	675,000	800,000	800,000	800,000	800,000
O&M Projects												
RA12009	IERCF Structure Protection	19,191	6,098	-	-	-	-	-	25,000	25,000	25,000	25,000
RA12011	IERCF Lighting System	7,938	248	-	-	-	-	-	-	-	-	-
	Total O&M Projects (Included in Materials & Supplies)	27,130	6,346	-	-	-	-	25,000	25,000	25,000	25,000	25,000
	Total Projects	3,478,656	3,974,132	1,025,000	1,191,563	714,615	1,588,500	700,000	825,000	825,000	825,000	825,000



INLAND EMPIRE REGIONAL

COMPOSTING
A U T H O R I T Y



FY 2016/17 PROPOSED BUDGET

MAY 2, 2016



FY 2016/17 Proposed Budget



(\$ in Thousands)	FY 2014/15 Actuals	FY 2015/16 Projected	FY 2016/17 Proposed	FY 2017/18 Forecast
<i>Tipping fee per wet ton</i>	\$54.00	\$54.00	\$55.00	\$56.00
Operating Revenues	\$8,499	\$8,470	\$8,562	\$8,707
Operating Expenses	7,759	7,001	7,506	7,884
Net Operating Increase (Decrease)	740	1,469	1,056	823
Other Funding Sources	31	12	1,015	23
Other Uses of Funds	4,209	715	1,588	675
Net Non-Operating Increase (Decrease)	(4,178)	(703)	(573)	(652)
Total Net Change	(3,438)	766	483	171
Beginning Reserve Balance	4,974	1,536	2,302	2,785
Ending Reserve Balance	\$1,536	\$2,302	\$2,785	\$2,956



Capital Improvement Plan



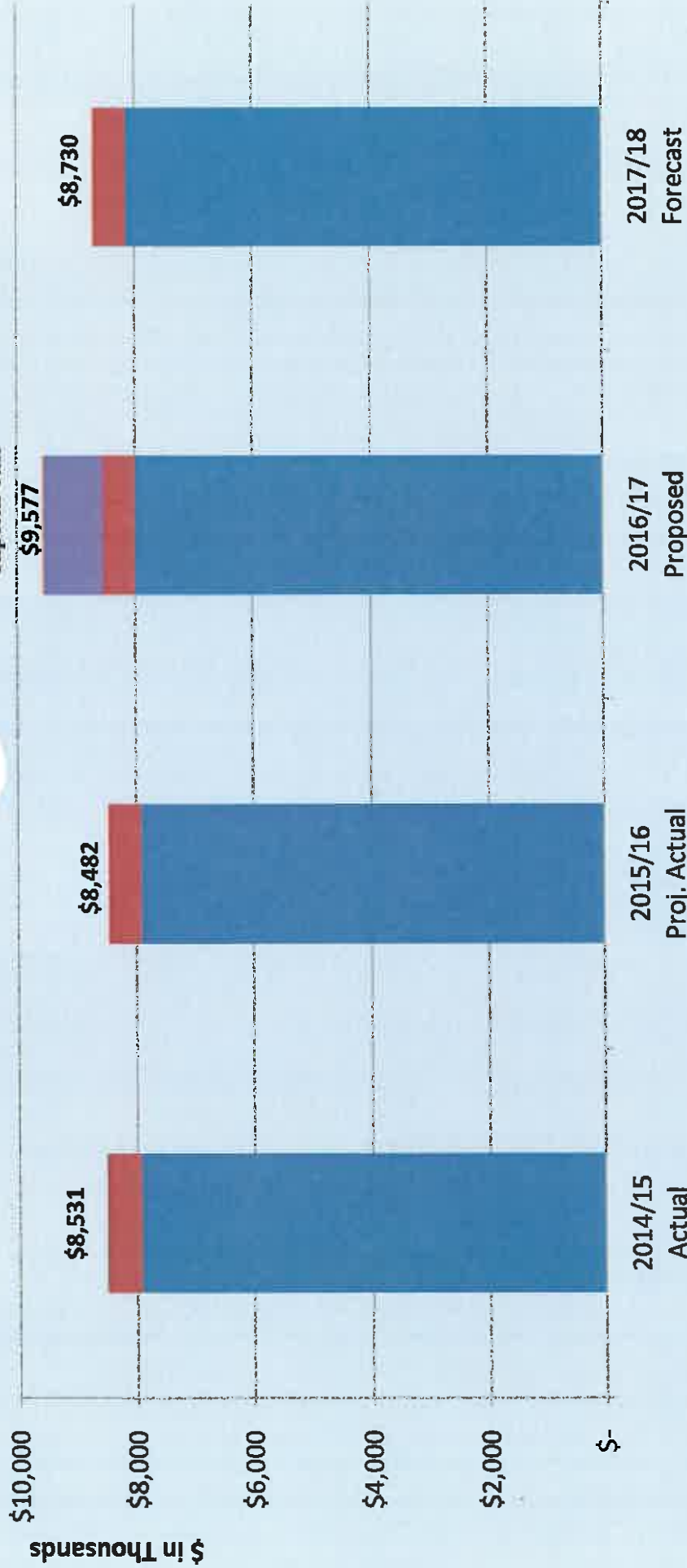
Project Description (\$ in Thousands)	FY 2014/15 Actual	FY 2015/16 Projected	FY 2016/17 Proposed	FY 2017/18 Forecast
Capital Replacement & Rehabilitation (R&R)	\$271	\$350	\$500	\$500
Fire Sprinkler Improvements	0	0	200	0
Receiving Pit	0	100	150	0
Replace VM Host Servers	0	0	45	0
Replace Network Switches	0	0	25	0
Process Improvement	2,015	173	0	0
Loader Purchase (2 units), excludes trade-in*	566	0	0	0
Other Projects	64	92	19	75
Total Capital Replacement	\$2,916	\$715	\$939	\$575
Baghouse Improvements	1,051	0	350	0
MCC HVAC Improvements	0	0	200	0
Building Improvements	0	0	100	100
Total Capital Expansion	\$1,051	\$0	\$650	\$100
Total Capital	\$3,967	\$715	\$1,589	\$675

*Trade in value \$440,000



Revenue

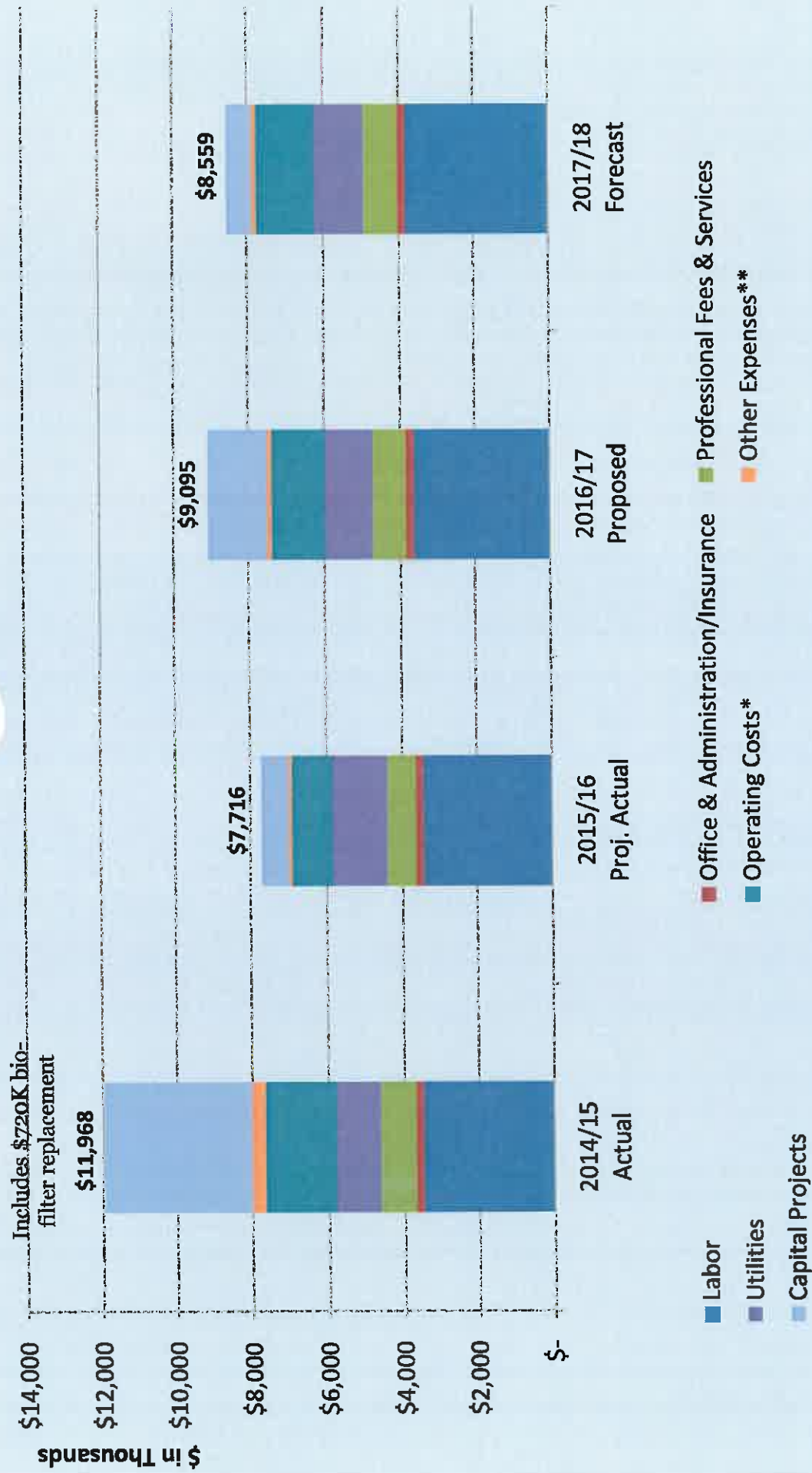
Includes \$1 million capital call



- Biosolids Recycling
- Other Non-Operating Revenues
- Compost Sales/Delivery
- Other Revenue*
- Contributed Capital

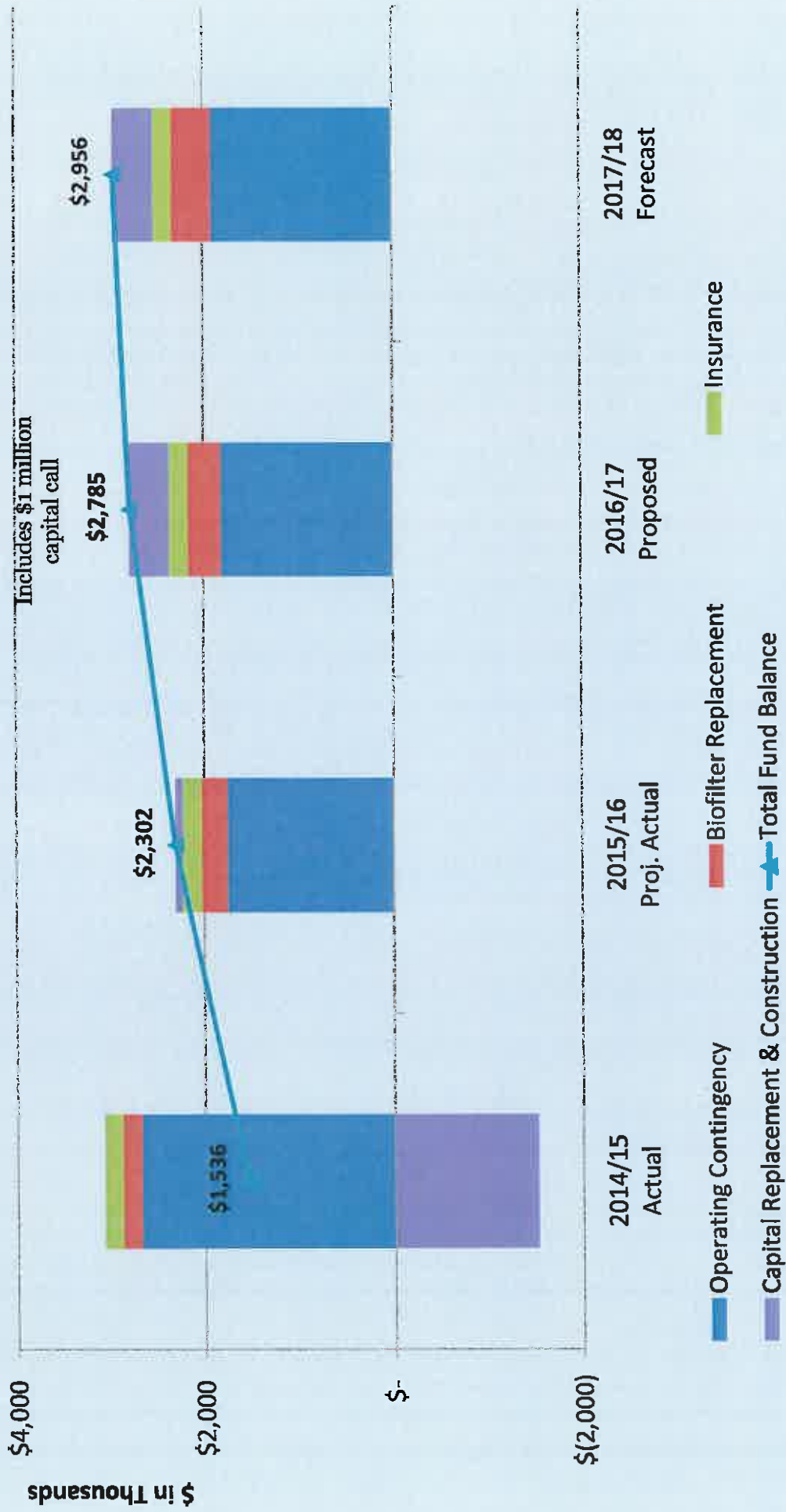
* Other Revenues include: Interest Income; Energy Cap Rebate; Proceeds from Sales of Assets; Draw on Biofilter Reserve

Expenses



* Operating Costs include: Operating Fees; Biofilter Reserve Funding; Biofilter Replacement; Materials & Supplies
 ** Other Expenses include: Leases & Rentals; Financial Expenses

Total Fund Balance





INLAND EMPIRE REGIONAL

COMPOSTING
A U T H O R I T Y



QUESTIONS?

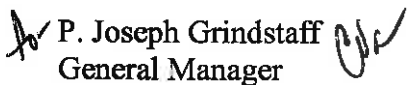
**INFORMATION
ITEM**


5F

Date: May 18, 2016

To: The Honorable Board of Directors

Through: Public, Legislative Affairs and Water Resources Committee (5/11/16)

From:  P. Joseph Grindstaff
General Manager

Submitted by: Kathy Besser 
Manager of External Affairs

Subject: Public Outreach and Communication

RECOMMENDATION

This is an informational item for the Board of Directors to receive and file.

BACKGROUND

May

- May is Water Awareness Month
- May 1-7, International Compost Awareness Week
- May 4, Compost Giveaway, IEUA HQA Parking Lot, 9:00 a.m. – 2:00 p.m.
- May 5, Truman Middle School GIES Dedication, 16224 Mallory Drive, Fontana, 2:00 p.m. – 3:00 p.m.
- May 13-15, MWD Solar Cup Competition, Lake Skinner
- May 24, Cal Aero Preserve Academy GIES Dedication, 15850 Main St, Chino, CA 91708, 8:40 a.m. – 9:40 a.m.
- May 24, Cortez Elementary School GIES Dedication, 12750 Carissa Ave., Chino, 5:45 p.m.

Outreach/Education - Civic Publications Newspaper Campaign

- IEUA sent an email blast on April 17 as part of the 2016 Earth Day outreach to over 135,000 residents. 24.7% (32,784) of the residents opened the email with a 41.9% (13,672) click-thru rate to the IEUA website. The emails were determined by identifying residents who live within a seven mile radius of the event.
- IEUA sent an email blast to 157,000 households in the IEUA service area on April 25, 2016 with the subject line: *What happened to April showers?* The email blast led viewers to the *Kick the Habit* micro-site.

Media and Outreach

- The 2015 Annual Report can be found on the Agency's website. Additional copies have been distributed to stakeholders.
- Staff is developing ads to promote *No Drugs Down the Drain*. Staff distributed a press release highlighting *National Drug Take Back Day*.
- A *Kick the Habit* ad ran in the Chino Connection on May 7.
- IEUA staff placed a ¼ page *Kick the Habit* ad in the Fontana Herald News for the month of May.
- Staff placed an ad for *International Compost Awareness Week* in the Daily Bulletin on Sunday, May 1 and Tuesday, May 3.
- *Kick the Habit* bus advertisements in English and Spanish began on October 5, 2015 for an initial six month run and will continue to run for another six months.
- In April, 26 items were posted to Facebook and 26 tweets were sent under the @IEUAwater Twitter handle. Staff uploaded four different Earth Day promotional videos to our social media sites.
- Staff began implementing Friday Foliage as a weekly spot on IEUA's social media channels to highlight water efficient California native and drought tolerant plants. It also features pictures of the plants and information regarding the plant (i.e. good for slopes, attractive to butterflies, the location of where to locate them in the Chino Creek Park, etc.)
- For Water Awareness Month (May) staff will be implementing social media posts including *Where's Wally?* and *Observations of Owlle*. Staff will also be developing water tip videos to display on social media sites and the Agency website. In addition, a Water Awareness Month ad will be distributed in the Daily Bulletin and La Opinion. Staff will also be holding a contest for community members that asks members to post an image showing water being saved. After the month of May, the images will be placed in a drawing for a water awareness gift basket.

Education and Outreach Updates

- The Water Discovery Program is booked through the 2015/2016 school year. 1,376 Girl Scout troop members, elementary, middle and high school students have taken part in the park field trip from July 1, 2015 through April 30, 2016. Twelve additional Water Discovery Field Trips for school year 2015/16 have been scheduled. The Busing Mini-Grant program was extended through December 2020.
- Student Day for Earth Day was a huge success. Staff welcomed over 2,000 students, teachers and chaperones from 11 schools within our service area to attend. Over 1,500 community members attended the Community Day, which contained earth-friendly vendors, KOLA radio, a shredding company, environmental shows, giveaways, and education. Over 90 volunteers helped in making the 2016 Earth Day a huge success.
- The deadline for the 2016/2017 Garden in Every School® grant application was April 7, 2016, and six schools within IEUA's service area submitted applications. The GIES team will conduct pre-site visits to evaluate the proposed garden sites in May 2016 and four schools will be awarded the grant.

PRIOR BOARD ACTION

None.

IMPACT ON BUDGET

The above-mentioned activities are budgeted in the FY 2015/16 Administrative Services (GG) Fund, External Affairs Services budget.

**INFORMATION
ITEM**

5G

Innovative Federal Strategies LLC

Comprehensive Government Relations

MEMORANDUM

To: Joe Grindstaff and Kathy Besser, IEUA

From: Letitia White, Jean Denton, and Drew Tatum

Date: April 29, 2016

Re: April Monthly Legislative Update

Congress Begins WRDA Reauthorization

Supporters of the Water Resources Development Act hope both the Senate bill and a House companion can get through their respective chambers before the long recess for the party conventions and traditional August district and state work period. The Senate began the process at the end of April when the Environment and Public Works Committee introduced and quickly advanced the legislation to the floor on a 19-1 vote. The legislation includes a \$220 million aid package for Flint, Mich., as well as changes to the nation's clean water and drinking water programs.

The Water Resources Development Act would also authorize 25 Army Corps projects in 17 states. These projects, which have undergone Congressional scrutiny and have completed reports of the Chief of Engineers, aim to strengthen the nation's infrastructure to protect lives and property, restore vital ecosystems to preserve our natural heritage, and maintain navigation routes for commerce and the movement of goods to keep us competitive in the global marketplace.

The bill provides investment in the country's aging drinking water and wastewater infrastructure, assists poor and disadvantaged communities in meeting public health standards under the Clean Water Act and Safe Drinking Water Act, and promotes innovative technologies to address drought and other critical water resource needs.

The House Transportation and Infrastructure Committee has also started the process of drafting its own Water Resources Development legislation. If each chamber is able to pass the legislation before the summer break, staff hope to be able to negotiate a conference agreement that could be passed before the election.

Senate Appropriators First Floor Bill Hits Snag

Senators appeared poised to break a modern budgeting process record by passing an appropriations bill before the end of April. Lawmakers hoped to pass the Energy and Water Appropriations bill, but those plans were derailed when Democrats filibustered on a procedural vote. Bipartisan support for the legislation evaporated during the final week of the month after Senator Tom Cotton (R-AZ) offered what Democrats called a "poison pill" amendment. Senator

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Cotton's amendment, if agreed to, would prohibit the purchase of heavy water from Iran, which is used in the production of nuclear energy and weapons. Introduction of the amendment came after the White House announced the purchase of heavy water from Iran, which the administration says supports the implementation of the Iranian nuclear agreement. The White House has threatened to veto the legislation if Senator Cotton's amendment were to be included in the final legislation delivered to the president's desk.

Republican and Democratic leaders are expected to attempt to negotiate a path forward during the upcoming recess with the intention of resuming consideration of the legislation. Senate Majority Leader Mitch McConnell (R-KY) has set up another procedural vote for the week lawmakers return to Washington.

Senator Cotton's amendment was not the first proposal that threatened to derail the Energy and Water Appropriations bill. Earlier in the week, the Senate voted down an amendment that would have prohibited the use of funding to implement the EPA and Army Corps regulatory definition of the "waters of the United States". The amendment, offered by Senator John Hoeven (R-ND), was part of a continued Republican effort to block the new regulation, which has been temporarily blocked by the courts. Subject to a 60 vote threshold, the amendment failed by a 56-42 margin.

The Energy and Water Appropriations bill includes funding for the Army Corps of Engineers, Department of Energy, and the Bureau of Reclamation among other smaller agencies. As has been the case during the last two fiscal years, the legislation has included additional funding for western drought relief. This year, Senator Dianne Feinstein (D-CA) pushed for an additional \$100 million for projects that have already been authorized that will help combat the sustained drought in the Bureau of Reclamation's service area. The Senate Appropriations Committee also funded at the President's Budget request both the Title XVI (\$21.5 million) and WaterSMART (\$23.365 million) accounts.

While Senator Feinstein has pushed for additional drought funding, she still hopes to move a drought package before the end of the year. As we have previously noted, Senate Energy and Natural Resources Chairwoman Lisa Murkowski (R-AK) has indicated she would like to move a west-wide bill to focus on all western states suffering through the drought. While no authorization language was included in the Senate's draft, House Republicans are attempting to jumpstart negotiations by including provisions from the drought legislation introduced by Congressman Valadao (R-CA) that passed the House last year in their version the FY17 Energy and Water Appropriations Bill.

The provisions were included in the legislation as introduced, leading Democrats to offer amendments to strip the authorization language from an appropriations bill. Republicans were able to block those efforts. In speaking with staff from the House Energy and Water Appropriations Subcommittee, the language was included in order to negotiate a compromise with the Senate later in the year. Prior efforts to negotiate a package at the end of the year have been rebuffed.

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House Republicans are still searching for a path forward on appropriations bills, as no budget resolution has been adopted. Absent an agreement to waive the applicable point of order or an agreement on a budget resolution, the House will not be able to bring appropriations bills to the floor until mid-May. With only one week of session remaining until May 15, it appears likely that the House will forego a budget resolution for now. Republicans are still internally debating how to deal with conservative demands that \$30 billion in spending cuts be made to offset increases agreed to in the Bipartisan Budget Act of 2015.

Senate Clears FAA Reauthorization

With broad bipartisan support, the Senate cleared reauthorization legislation for the Federal Aviation Administration on a vote of 95-3. Only Senators Barbara Boxer (D-CA), Mike Lee (R-UT), and Marco Rubio (R-FL) voted against the legislation. Both Senators Ted Cruz (R-TX) and Bernie Sanders (I-VT) missed the vote due to their campaign schedules. The bipartisan measure would reauthorize the FAA through September 30, 2017 and does not include the controversial provision to privatize air traffic control operations. The legislation now moves to the House, where lawmakers currently have not scheduled floor consideration. House Transportation and Infrastructure Committee Chairman Bill Shuster (R-PA) has advanced his own reauthorization legislation, but it has yet to come to the floor of the House.

Prospects remain unclear for both measures in the House. If the House were to move forward with its own legislation, a formal conference between the House and Senate could be formed to iron out the differences in the legislation. Senate Commerce Committee Chairman John Thune hopes that the Senate-passed bill will be appealing in the House since the chamber did not attach tax riders to the legislation for the energy sector that were pushed by Democrats. Lawmakers have until mid-July to pass either a short-or-long term authorization before the current authority expires.

Outlook for May

The House and Senate are scheduled to be in recess for the first week of the month. Senate Majority Leader Mitch McConnell has queued up a cloture vote on the Energy and Water Appropriations bill when Senators return during the second week of the month. As noted above, the Senate has failed to garner the necessary votes to invoke cloture on two occasions already. During the recess, Republican and Democratic leaders are expected to attempt to negotiate a package of amendments for consideration in order to overcome Democratic filibusters on the legislation. Upon completion of the Energy and Water bill, the Senate is expected to turn to consideration of the Transportation, Housing and Urban Development Appropriations bill.

The House still has not adopted a budget resolution, though Republican leaders have huddled again in recent days in order to attempt to find a path forward. Without a budget resolution or an agreement to waive the applicable points of order, the House cannot consider an appropriations bill until May 15. Early in the month, the House may consider authorization legislation related to public health—including Zika.

The Appropriations Committees in both the House and Senate are expected to continue preparing bills for the floor.

**INFORMATION
ITEM**

5H



April 29, 2016

To: Inland Empire Utilities Agency
From: Michael Boccadoro
President
RE: April Legislative Report

Overview:

April was a busy month in the Legislature. Committees met with very full agendas ahead of the April 22 deadline for bills to make it out of policy committees before heading to fiscal review. Bills have until May 27 to make it out of Appropriations Committees and onto their respective floors.

On March 1, Southern California Gas Company (SoCalGas) and San Diego Gas & Electric (SDG&E) filed a motion at the California Public Utilities Commission that would temporarily move natural gas customers from a monthly 10 percent balancing, to a 5 percent daily balancing. SoCalGas stated the reason for the significant change is the inability to store gas at Aliso Canyon, and therefore will not have the flexibility to respond to extreme heat events this summer. After significant opposition, a settlement was reached that would allow SoCalGas to use their existing low and high Operational Flow Order (OFO) procedures to achieve the reliability they need during the summer months. The impact on end-use customers such as IEUA is unclear at the moment.

Unfavorable voter response has caused the Association of California Water Agencies, and their coalition partners, to suspend efforts to qualify a Constitutional Amendment for the November ballot that would create an alternate process for agencies to adopt conservation-based rates, lifeline rates, and rate-basing stormwater capture. An unfavorable ballot summary from the Attorney General was the driving factor for the lack of voter support. Recently, Lester Snow and the California Water Foundation have circulated a draft of a proposal that may only require a majority vote of the Legislature and no voter approval. The proposal aims to authorize lifeline rates as well as authorize fees to “create price signals to encourage or discourage specific service consumption patterns or other related behavior.”

Debate over whether the State Water Resources Control Board (SWRCB) should ease or lift the emergency conservation regulations continues with environmentalists arguing to continue the conservation regulations while many water agencies believe the regulations should be lifted. The conversation also continues on more permanent conservation and efficiency measures. A coalition of Southern California water agencies has submitted a framework to the SWRCB that takes into account many factors including local water supplies, daily use, drought contingency plans and other measures. There are concerns that their plan relies on self-certification.

The fate of the Cap and Trade Program is still uncertain as stakeholders wait for a ruling from the California Appellate court. The court recently issued a series of questions that are raising

speculation that the court could be leaning towards invalidating the auction of allowances. However, there are others who point to reasons why the court's questions shouldn't raise too much concern. Parties up and down the state are eager to have a final resolution from the court on the validity of the program, though a ruling from the appellate court will likely be appealed to the California Supreme Court, once again delaying any final resolution. The legal status of Governor Brown's and California Air Resources Board of GHG reduction efforts post 2020 are also being questioned. A recent Legislative Counsel Opinion raises substantial doubt about the validity of the Governor's Executive Orders on GHG.

Inland Empire Utilities Agency Status Report – April 2016

Natural Gas Daily Balancing

As reported in March, Southern California Gas Company (SoCalGas) and San Diego Gas & Electric (SDG&E) filed a motion at the California Public Utilities Commission requesting to temporarily move natural gas customers from a monthly 10 percent balancing, to a 5 percent daily balancing. SoCalGas is blaming the loss of Aliso Canyon storage for the reduced flexibility to respond to extreme heat events this summer.

A significant number of parties filed protests to this motion on several grounds. First, the procedural route SoCalGas took by filing a motion provides little opportunity for stakeholder input and transparency. Using a motion eliminates the crucial fact finding and testimony aspects a formal application requires. Additionally, parties argued that because of the nature of some natural gas use, a 5 percent daily balancing would impose significant operational and financial burdens on end use customers.

Due to strong opposition to the motion, SoCalGas initiated a series of stakeholder calls to try to come up with a solution agreeable to all parties. They temporarily dropped their daily balancing proposal, in favor of a proposal to use existing procedures to alleviate the predicted strain on the natural gas system. The settlement, filed Friday April 29, stipulates that SoCalGas will use existing low and high Operational Flow Orders (OFOs) to incentivize demand response to conditions in the natural gas transmission and distribution system.

High OFOs should not affect IEUA, as they only relate to gas marketers wanting to store gas in any of SoCal Gas's facilities. However, low OFOs could affect IEUA. While low OFO events are already in use, the frequency in which they will be called will now likely increase. For example, in 2015 there were 43 days in which a low OFO was called. A low OFO can be called when there is not enough gas in the system to meet demand. IEUA will not receive a notice from SoCalGas demanding reduced use, but if the marketer IEUA uses (Shell) does not fall within five percent of the aggregate demand of all of their customers, the marketer will receive a penalty that varies in severity depending on the level of the low OFO that is called. It is unclear how those marketers might pass along any penalties to IEUA and other customers, or if the marketer will

place any demands on IEUA during a low OFO event. The key factor impacting the ramifications of this settlement is how many low OFO days SoCalGas ultimately calls.

The terms of the settlement last until the end of November at which point the plan is to have a new settlement in place for winter. Winter conditions are substantially different because residential demand is increased significantly with natural gas heating.

While the settlement includes significant uncertainty, all parties concluded this option was much better than the original daily balancing proposal. IEUA is encouraged to keep track of how the agency is effected, if at all, due to the issuance of low OFOs.

SoCalGas has committed to having customer workshops to help customers understand how the new rules will work and the effects they will have.

ACWA's Proposition 218 Fix UPDATE

The Association of California Water Agencies (ACWA), along with the California League of Cities and the California State Association of Counties (CSAC) have proposed a Constitutional Amendment to create a new process for setting conservation rates, lifeline rates and rates for stormwater capture. As reported last month, the Attorney General wrote a less than favorable ballot summary for the measure. Essentially, the summary stated that passing the initiative would eliminate voter approval from the rate-setting process.

After testing the ballot title and summary, ACWA and the coalition have decided not to move forward with an initiative this year. They have indicated that they might try for a "Plan B" but they do not know what that alternative plan might be at this juncture.

Recently, Lester Snow and the California Water Foundation have circulated a draft proposal that some believe may only require a majority vote of the Legislature and no voter approval. The proposal aims to authorize lifeline rates as well as authorize fees to "create price signals to encourage or discourage specific service consumption patterns or other related behavior."

Allowable regulatory purposes include, but are not limited to:

- (1) To deter excess consumption of a service, such as domestic water service, as determined by the local agency.
- (2) To encourage adoption of technologies supporting more efficient use of the service.
- (3) To comply with goals of avoiding waste and unreasonable use of water pursuant to Article X, Section 2, of the California Constitution.

ACWA has shared the language with their members and is currently receiving feedback from agencies before they meet with other coalition partners to discuss how, if at all, they want to be part of the California Water Foundation efforts.

SWRCB Emergency Water Conservation Measures

Debate over whether the State Water Resources Control Board should ease or lift the emergency conservation regulations continues with environmentalists arguing to continue the conservation

regulations while many water agencies believe the regulations should be lifted due to improved water conditions.

As previously reported, the SWRCB approved amendments in February that ease the conservation mandates for certain regions based on factors such as regional temperature, growth, use of drought resilient supplies and investment in sustainable water projects. Now, stakeholders and regulators are debating and discussing two separate facets of the future of conservation regulations in California.

There is a continuing discussion about if or when to lift the current conservation measures. At the same time there is a discussion about drafting permanent regulations around water use efficiency and conservation. Eastern Municipal Water District, Western Municipal Water District, Irvine Ranch Water District and the Metropolitan Water District of Southern California outlined their joint proposal to the SWRCB. Under their “Supply-Demand Based Emergency Regulation Framework” water agencies would provide monthly reporting to SWRCB on total potable water production, residential gallons per capita per day, stages of water shortage contingency plans, and mechanisms to prevent water waste. The proposal would also require suppliers to demonstrate their ability to implement mandatory use reductions. Conservation standards would be modified based on evaluations and self-certifications, by water agencies, of the availability of suppliers to meet demand.

They argue that the benefits of their proposal include reflecting a water supplier’s total integrated water resources planning portfolio, calibrating demand reductions to the severity of shortage for each supplier, providing a strong incentive for local agencies’ continued investment in developing sustainable supplies and water efficiency, and reducing waste through implementation of water waste reduction measures.

Members of the SWRCB raised concerns about agencies’ self-certifying their water supply forecasts, and expressed doubts about whether the proposal contains clear and adequate triggers for agencies to ensure conservation and other measures are implemented properly when water supplies are forecast to be low.

Discussions will continue in the coming months.

Cap and Trade Court Challenge/ GHG regulation Post 2020

The legal challenge to the validity of the greenhouse gas allowance system is still pending the California Appellate Court. Recently, the court issued several questions that are leading to speculation that the court is leaning towards ruling that the auctioning of GHG allowances represents a tax, and therefore needs to be approved by a 2/3 vote of the Legislature. Additionally, the court is considering how the state spends the revenue collected through the auctions.

The Brown Administration and CARB continue to insist the program is on solid legal footing and not to read into the court’s questions.

Regardless of the meaning of the questions, the uncertainty of the legality of the cap and trade program, and the associated revenues, has caused serious reservations among some parties about spending the cap and trade allowance revenue.

While the case pending in the Appellate Court only looks at the Cap and Trade program, there are other legal questions being discussed with regard to extending the program beyond 2020. A recent Legislative Council opinion stated that neither the Governor, nor the California Air Resources Board have the authority to establish goals post 2020 without express authorization from the Legislature.

SB 970 (Leyva) Organic Food Waste Diversion

SB 970 (Leyva), the IEUA sponsored bill aimed at helping the state meet its organics diversion goals by demonstrating regional programs using digester capacity at existing wastewater treatment facilities to co-digest biosolids and diverted food waste, has passed out of the Senate Environmental Quality Committee. While the bill had broad support from many of the committee members, the Committee chair and Committee staff were more comfortable with language that directs CalRecycle to consider some specific criteria when awarding grants in their existing program. The Committee has committed to work with IEUA and the author's office as the bill moves over to the Assembly to insert some more operative language that will create an opportunity for these types of regional food waste diversion projects to receive appropriate funding from CalRecycle.

The bill is currently in the Senate Appropriations Committee awaiting a hearing date

Short-Lived Climate Pollutants

The California Air Resources Board (CARB) recently released their revised draft strategy to reduce short-lived climate pollutants (SLCPs) that includes a proposal to develop a regulation with CalRecycle by 2018 to virtually eliminate disposal of organic waste in landfills by 2025. Additionally, the draft strategy recognizes the ability of wastewater treatment facilities to co-digest food waste with biosolids. The plan outlines some of the barriers wastewater agencies might face in trying to develop these projects and commits CARB to working with other state agencies to ensure these projects can move forward in a timely and efficient manner. The plan also recognizes that there will need to be some financial incentives offered to facilities to help with the food waste receiving and methane recovery part of these projects. The plan also encourages the beneficial use of methane conversion to renewable natural gas for pipeline injection or for renewable transportation fuels.

Comments on the SLCP strategy are due May 26. CARB will hear the plan on May 19, as an "Information Only" item and will adopt the plan sometime in October.

Legislative Update

April was a busy month with the deadline for bills to be reported out of their policy committees onto fiscal committees on April 22.

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Agricultural Resources

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April 30, 2016

Legislative Report

TO: Joe Grindstaff
General Manager, Inland Empire Utility Agency

FR: David M. Weiman
Agricultural Resources
LEGISLATIVE REPRESENTATIVE, IEUA

SU: Legislative Report, April 2016

The Legislative process went from seemingly endless “hurry-up-and-wait” to “high activity” in April. To be sure, drought, El Nino and water conditions have not disappeared at all, but now, both Houses have kicked into “legislative gear.”

Snapshots

- House is still unable to proceed with a budget. This remains a huge problem, especially for the Speaker.
- Speaker Ryan, when it comes to establishing an overall budget, is being blocked by his own caucus (a repeat of Boehner’s problems in 2013, 14 and 2015 with the same caucus).
- House Appropriators want to proceed – and are declaring that they will bring their bills to the floor beginning May 15 no matter what.
- House Energy and Water Appropriations has been marked up and reported. It’s ready to go. The Bill, however, contains language overturning/setting aside CVPIA, ESA and other laws. These changes have implications for State water rights. Highly controversial and divisive.
- Senate Energy and Water Appropriations also moving. Senator Feinstein included language to “maximize” water deliveries to the San Joaquin Valley. While the language

she advanced does not set aside existing law, the operational mandates are equally controversial.

- In the last week of April, the Senate Environment and Public Works Committee introduced and marked up a massive Water Resources Development Act (WRDA) bill and reported in on a voice vote. The bill contains water recycling language, financing language and, unrelated, objectionable water softener language (see below).
- The Senate finally broke a weeks-long jam on the Energy Bill and moved to final passage with a strong bi-partisan vote of 85-12.
- Senator Lisa Murkowski (R-AK) has now publicly stated that she will consider a drought bill (unclear if its for California and/or the West).
- Water allocations for 2016 have been increased by DWR.
- Drought Monitor still shows about half of California in Extreme or Exceptional drought, including the San Joaquin Valley and significant parts of Southern California.
- Senate is on track this session to work the fewest days in 60 years.

2016 Agenda – Passing Annual Funding Bills – Top Leadership Legislative Priority

- The required budget is not in place – still. Not clear one can be passed.
- As stated last month – little progress has occurred. The House Freedom Caucus has effectively blocked the budget/funding process by telling Speaker Ryan that they will not support the proposed budget (which sets an overall spending ceiling which is then “allocated” to the twelve appropriations subcommittees). Those allocations are the critical first step in the annual funding (budget/appropriations) process. Like last year, the process is slowed again this year.
- Appropriators are getting ready to move their bills beginning in two weeks, budget agreement or not. Ryan and the Freedom Caucus are openly in conflict. The line-in-the-sand is over the difference between \$1.05 and \$1.07 Trillion (top line for all functions and activities).
- Key question – can action on funding bills actually be finalized – or – is the Congress again headed for another CR or massive end-of-year funding bill? Unknown.

Tax Reform Agenda

- House Ways and Means Committee is now scheduling hearings and meetings on tax reform in general.
- It remains an issue to be discussed in 2016, but not acted upon until the next Congress.

- There is a largely unrecognized tax reform policy contradiction unfolding of significance to IEUA and all water users. WRDA (previously enacted) created a new bonding authority and others (even the WH) are turning to the bond market for expanded funding of water and infrastructure funding. The WRDA bill (just reported in the Senate) expands the WIFIA authority. While these policies are being advanced, tax reform policy changes under consideration may reduce or alter the deductibility of present bonding authority – effectively undermining or even nullifying these initiatives. In other words, these policy initiatives are in conflict with one another. This will become more and more of an issue in the very near short term.

Water/Weather/Drought

Feinstein Bill Introduced – Fate Unclear

- Drought legislation is being “two-tracked.” Highly controversial (though vastly different) Delta diversion provisions are in the House and Senate annual funding bills.
- At the end of April, with the Senate Energy Committee’s energy bill now having achieved final passage in the Senate, Senator Lisa Murkowski, Chair, Senate Energy Committee, is indicating that her committee would now consider a drought bill sometime later in May (perhaps June).
- Publicly, there is still no drought bill – at least not a westwide bill – yet.
- What will happen, when – how – all remains uncertain.

Drought Relief Funding – IEUA Grant Application Pending

- BuRec is expected to announce Title XVI/WaterSense grant funding awards – sometime in May resulting from the \$100 million for drought relief appropriated last December at Senator Feinstein’s request.
- IEUA submitted applications and your congressional delegation supported the request.

Unanticipated Drought-Related Federal Tax Issue

- Still pending – still unresolved.

Drought Status – CA and Rest of the West (unchanged)

- **Drought Conditions – California.** Even with El Nino storms, the Drought Monitor indicates that most (but now, not all) Counties remained in various levels of drought. Improvements notwithstanding, the Central Valley and most of Southern California remain in the highest drought status levels.
- **El Nino.** Drought Monitor also reports that westwide, that drought conditions are lessening (significantly) in most western states (Nevada is an exception).
- **Lake Mead.** BuRec is projecting that Lake Mead remains at risk and 2017 remains highly problematic. A multi-state lower basin agreement is being advanced in

anticipation of reaching the allocation trigger levels next year.

Water Resources Development Act – 2016

- Chairman Inhofe (R-OK) and Ranking Member Barbara Boxer (D-CA) introduced a new WRDA bill the last week of April and marked it up three days later. The massive bill was moved through the Environment and Public Works Committee in less than an hour (no amendments).
- The bill authorizes (for the first time), EPA’s WaterSense Program, as highlighted by the WaterReuse Association, to identify and promote water efficient products, buildings...including reuse and recycling technologies.
- The bill establishes/authorizes an Innovative Water Technology Grant Program to accelerate innovative technologies, including reuse and recycling, to address national water challenges.
- The bill also instructs a task force to draft national drought resilience guidelines include provisions for reuse.
- Authorizes additional assistance for use of innovative technology in Clean and Drinking Water SRFs.
- Cites a WaterReuse and WEF sponsored economic study to support robust funding for SRF programs.
- In other provisions, the bill contains provisions on water softeners that are unacceptable, and contradict with the recycling and drought initiatives (in Southern California and other salt-sensitive areas).
- IEUA, LA Sanitation District and ACWA have been working with the Committee staff to change this language and eliminate any incentives or programmatic direction for water softener technology to be used in salt-sensitive areas. Discussions with the Committee remain pending.
- To be sure, water softener technology based on machines that produce a salt-laden waste stream of 1lb/machine/day are a threat to the water supply in the IEUA service area.

2016 – An Election Year

- It’s an election year. As of April 30:
 - * It’s beginning to look like Trump and Clinton will secure their respective nominations.
 - * Party conventions, thought to be deadlocked in mid-April, now do not appear to be on that track.
 - * A “stop-Trump” effort is still underway.
 - * Speculation is now shifting to “running mates” – who will be picked? Little is

known, less is predictable.

- Last month, I concluded my report saying that “*If there was a theme for the 2016 cycle, it’s ‘uncertainty.’*” I affirm it this month.

**INFORMATION
ITEM**

5J



CALIFORNIA STRATEGIES, LLC

Date: April 29, 2016
To: Inland Empire Utilities Agency
From: John Withers, Jim Brulte
Re: April Activity Report

Listed below is the California Strategies, LLC monthly activity report. Please feel free to call us if you have any questions or would like to receive any more information on any of the items mentioned below.

- Met with IEUA Executive staff to review priority issues and to discuss activities for April that Executive Staff wanted accomplished.
- Attended Water Leadership Breakfast with David Van Dorpe, ACOE speaking
- Discussed ways to highlight the customer return on investment for the building of recharge basins in our service territory.
- Discussed LAFCO and made recommendations to staff about upcoming issues. Support and advise on IEUA/SBVMWD transfer transaction on an as needed basis.
- Review and comment on Webb Engineering Plan of Services Initial Draft
- Provided a progress update on the recent request for documents from the CVWRD.
- Continue to monitor statewide water issues including The Water Fix, water bond, and drought relief act activities. Made recommendation regarding the request for money from various state special funds.
- Monitor Santa Ana Regional Board agenda and issues of interest to IEUA.
- Attend ACWA Conference May 2-5 and interact with IEUA staff and Directors

**INFORMATION
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Federal Legislation of Significance

Bill Number	Sponsor	Title and/or Summary	Summary/Status
H.R.5055 / S.2804	Rep. Mike Simpson / Sen. Lamar Alexander	FY 17 Energy and Water Development and Related Agencies and Appropriations bill	<p>The President's budget request to Congress was released on February 9, 2016.</p> <p>President' Budget Request for priority programs: Title XVI: \$21.5 million WaterSMART: \$23.4 million</p> <p>House Energy and Water Appropriations Committee Report: Title XVI: \$24 million WaterSMART: \$24 million</p> <p>Senate Energy and Water Appropriations Committee Report: Title XVI: \$21.5 million WaterSMART: \$23.4 million Western Drought: \$100 million</p> <p>The Senate Energy and Water Appropriations bill has made its way to the floor, but has currently stalled on a procedural vote. The Senate is scheduled to vote again after a recess scheduled to take place the first week of May. The Senate's legislation included additional funding, but no authorization for western drought.</p> <p>The House Energy and Water Appropriations bill is currently scheduled to be the second bill considered after the House can bring appropriations measures to the floor. While the House legislation did not include additional funding for western drought, language has been included to provide additional pumping flexibility in the delta. Without a budget or agreement to suspend the rules, the House could not bring an appropriations measures to the floor before May 15.</p>
S.2533	Sen. Dianne Feinstein (D-CA)	California Long-Term Provisions for Water Supply and Short-Term Provisions for Emergency Drought Relief Act	<p>With her original legislation not gaining traction at the committee level, Senator Feinstein reintroduced drought legislation in February after receiving additional feedback from stakeholders in California. The bill also comes after House Republicans attempted to insert their own drought provisions into the Consolidated Appropriations Act, 2016.</p> <p>Feinstein said that she has continued to work with local, state, and federal partners to create her new legislation, though California Republicans in the House have said they were not involved in the latest discussions. California House Republicans have reiterated that they have already passed a drought bill this year, and they believe it is</p>

		<p>the only legislation that can be passed until the Senate moves legislation that can be conferenced between the two chambers.</p> <p>The Senator has been placing additional pressure on federal agencies to allow for more pumping during periods where additional water is available due to rain events. It is unclear if this pressure would turn into language to be included in her drought bill later in the year either by an amendment or compromise with the California Republican delegation. Feinstein did include pumping language in the Energy and Water Appropriations bill, but it only requires a report back from federal agencies rather than requiring the additional pumping in statute.</p>
H.R.2898	Rep. David Valadao	<p>Passed the House.</p> <p>First Legislative Committee Hearing was held in early October 2015 in the Senate. As mentioned above, Senator Feinstein has reintroduced drought legislation in the Senate in an effort to conferece a bill with the House before the end of the 114th Congress.</p>
S.2012	Sen. Lisa Murkowski	<p>Passed the Senate. The probable companion legislation in the House is H.R.8, the North American Energy Security and Infrastructure Act of 2015.</p> <p>The Senate is considering its first broad energy reform policy bill in eight years. The bill includes a number of policy priorities from both Republicans and Democrats and came as a result of months of negotiations, meetings outreach and other activities aimed at a truly bipartisan bill. The bill instead on fossil fuels and infrastructure: natural gas pipeline permitting, authorizing the main federal conservation fund, job training, updating the grid, as well as a push on energy efficiency.</p> <p>The legislation was brought back to the floor in April after an agreement was reached on amendments. While originally a target for energy tax breaks, those amendments were not added to the legislation.</p> <p>IFS is working with ACWA on language included in the legislation establishing a WaterSense program. We are seeking to add report language that would require the EPA to consider impacts to wastewater when considering equipment for the WaterSense label.</p> <p>The House has approved legislation to clarify the Environmental Protection Agency's authority to notify the public about danger from lead in their drinking water. The bill is the first approved by Congress to respond to the water crisis in Flint, Michigan. The legislation requires the Environmental Protection Agency to notify the public when concentrations of lead in drinking water rise above mandated levels and to create a plan</p>
H.R.4470	Rep. Dan Kildee (D-MI) / Rep. Fred Upton (R-MI)	<p>Western Water and American Food Security Act of 2015</p> <p>Energy Policy Modernization Act of 2015</p> <p>Safe Drinking Water Act Improved Compliance Awareness Act</p>

		<p>to improve communication between the agency, utilities, states, and consumers. While the bill's authors admit that the new legislation will not prevent future water contamination, they contend that it will prevent the situation from dragging out as has happened in Flint.</p> <p>The legislation has not been taken up in the Senate, but it is expected to receive bipartisan support when Senators vote.</p>	
<p>H.R.3143 / S.886</p>	<p>Rep. Jerry McNerney (D-CA) / Sen. Tom Udall (D-MN)</p>	<p>Directs the Department of Energy (DOE) to establish and carry out a smart energy and water efficiency management pilot program to award grants to three to five eligible entities (authorities that provide water, wastewater, or water reuse services) to demonstrate advanced and innovative technology-based solutions that will: (1) increase and improve the energy efficiency of water, wastewater, and water reuse systems to help communities make significant progress in conserving water, saving energy, and reducing costs; (2) support the implementation of innovative processes and the installation of advanced automated systems that provide real-time data on energy and water; and (3) improve energy and water conservation, water quality, and predictive maintenance of energy and water systems, through the use of Internet-connected technologies, including sensors, intelligent gateways, and security embedded in hardware.</p> <p>The legislation has not advanced in the House, but a hearing has been held at the committee level in the Senate.</p>	
<p>H.R. _____ / S. _____</p>	<p>Rep. Bill Shuster (R-PA) / Sens. Jim Inhofe (R-OK) and Barbara Boxer (D-CA)</p>	<p>The Senate Environment and Public Works Committee has advanced its Water Resources Development legislation for consideration by the Senate. IFS is working with ACWA on language included in the legislation establishing a WaterSense program. We are seeking to add report language that would require the EPA to consider impacts to wastewater when considering equipment for the WaterSense label.</p> <p>The House Transportation and Infrastructure Committee is currently drafting its own legislation, but it has not been released.</p> <p>The Water Resources Development Act would authorize 25 Army Corps projects in 17 states. The bill provides investment in the country's aging drinking water and wastewater infrastructure, assists poor and disadvantaged communities in meeting public health standards under the Clean Water Act and Safe Drinking Water Act, and promotes innovative technologies to address drought and other critical water resource needs.</p>	

**INFORMATION
ITEM**

5L

State Legislation to Watch

Bill Number	Sponsor	Title and/or Summary	Summary/Status	IEUA Position
AB 1704	Dodd	Water Rights	Current law requires applicants for appropriation of water for small domestic, small irrigation, or livestock stockpond use to register with the State Water Resources Control Board, as specified. Current law requires the registration to include a certification that the registrant has contacted a representative of the Department of Fish and Wildlife and has agreed to comply with conditions set forth by the Department of Fish and Wildlife. This bill would, instead, require the registrant to provide a copy of the registrant's registration form to the Department of Fish and Wildlife and agree to general conditions, as specified.	Assm. Appropriations Suspense File
AB 1713	Eggman	Sacramento-San Joaquin Delta: peripheral canal	Current law requires various state agencies to administer programs relating to water supply, water quality, and flood management in the Sacramento-San Joaquin Delta. The bill would prohibit the construction of a peripheral canal, as defined, unless expressly authorized by an initiative voted on by the voters of California on or after January 1, 2017, and would require the Legislative Analyst's Office to complete a prescribed economic feasibility analysis prior to a vote authorizing the construction of a peripheral canal.	OPPOSE
AB 1738	McCarty	Building Standards: Dark Graywater	Would define "dark graywater" as a specified wastewater that comes from kitchen sinks and dishwashers. This bill would require the Department of Housing and Community Development, at the next triennial building standards rulemaking cycle, to adopt and submit for approval building standards for the construction, installation, and alteration of dark graywater systems for indoor and outdoor uses. This bill contains other existing laws.	Assm. Appropriations Suspense File
AB 1749	Mathis	California Environmental Quality Act: exemption: recycled water pipelines	CEQA exempts from its requirements projects consisting of the construction or expansion of recycled water pipeline and directly related infrastructure within existing rights of way, and directly related groundwater replenishment, if the project does not affect wetlands or sensitive habitat, and where the construction impacts are fully mitigated, and undertaken for the purpose of mitigating drought conditions for which a state of emergency was proclaimed by the Governor on a certain date. CEQA provides that this exemption	Natural Resources Committee 5/3

			remains operative until the state of emergency has expired or until January 1, 2017, whichever occurs first. This bill would extend that date to January 1, 2022.	
AB 1755	Dodd	The Open and Transparent Water Data Act	<p>Would enact the Open and Transparent Water Data Act. The act would require the Department of Water Resources to establish a public benefit corporation that would create and manage (1) a statewide water information system to improve the ability of the state to meet the growing demand for water supply reliability and healthy ecosystems, that, among things, would integrate existing water data information from multiple databases and (2) an online water transfer information clearinghouse for water transfer information that would include a database of historic water transfers and transfers pending responsible agency approval and a public forum to exchange information on water market issues.</p>	<p>SUPPORT</p> <p>Assm. Appropriations Suspend File</p>
AB 1842	Levine	Water Pollution: Fines	<p>Current law imposes a maximum civil penalty of \$25,000 on a person who discharges various pollutants or other designated materials into the waters of the state. This bill would impose an additional civil penalty of not more than \$10 for each gallon or pound of polluting material discharged. The bill would require that the civil penalty be reduced for every gallon or pound of the illegally discharged material that is recovered and properly disposed of by the responsible party.</p>	<p>Assm. Appropriations Committee</p>
AB 1925	Chang	Desalination: Statewide Goal	<p>The Cobby-Porter Saline Water Conversion Law, states the policy of this state that desalination projects developed by or for public water entities be given the same opportunities for state assistance and funding as other water supply and reliability projects, and that desalination be consistent with all applicable environmental protection policies in the state. This bill would establish a goal to desalinate 300,000 acre-feet of drinking water per year by the year 2025 and 500,000 acre-feet of drinking water per year by the year 2030.</p>	<p>Assm. Appropriations 5/4</p>
AB 2206	Williams	Biomethane: interconnection and injection into common carrier pipelines: research	<p>Would request the California Council on Science and Technology to undertake and complete a study analyzing the regional and gas corporation specific issues relating to minimum heating value and maximum siloxane specifications adopted by the Public Utilities Commission for biomethane before it can be injected into common carrier gas pipelines. If</p>	<p>Assm. Appropriations</p>

			<p>the California Council on Science and Technology agrees to undertake and complete the study, the bill would require each gas corporation operating common carrier pipelines in California to proportionately contribute to the expenses to undertake the study with the cost recoverable in rates.</p>	5/4
AB 2304	Levine	California Market Water Exchange	<p>Would establish the California Water Market Exchange, governed by a 5-member board, in the Natural Resources Agency. This bill would require the market exchange, on or before December 31, 2017, to create a centralized water market platform on its Internet Web site that provides ready access to information about water available for transfer or exchange.</p>	Assembly Appropriations Committee
AB 2313	Williams	Renewable Natural Gas	<p>The California Global Warming Solutions Act of 2006 establishes the State Air Resources Board as the state agency responsible for monitoring and regulating sources emitting greenhouse gases. This bill would require the state board to study and evaluate a strategy or strategies to increase the in-state production and use of renewable natural gas, as defined, to further specified goals.</p>	Assembly Appropriations Committee
AB 2488	Dababneh	Protected species: unarmored threespine stickleback: taking or possession.	<p>Would permit the Department of Fish and Wildlife to authorize, under the California Endangered Species Act, the take of the unarmored threespine stickleback (<i>Gasterosteus aculeatus williamsoni</i>) attributable to the periodic dewatering, inspection, maintenance, or repair of the Metropolitan Water District of Southern California's Foothill Feeder water supply facility from Castaic Dam to the Joseph Jensen Treatment Plant in the County of Los Angeles, as specified, if certain conditions are satisfied.</p>	Assembly Floor
AB 2583	Frazier	Sacramento-San Joaquin Delta Reform Act of 2009	<p>Would add a definition of the California Water Fix to the Sacramento-San Joaquin Delta Reform Act of 2009. This bill would eliminate certain provisions applicable to the BDCP and would revise other provisions to instead refer to a new Delta water conveyance project for the purpose of exporting water. This bill would require new Delta water conveyance infrastructure to be considered as interdependent parts of a system and to be operated in a way that maximizes benefits for each of the coequal goals. This bill contains other related provisions and other existing laws.</p>	OPPOSE
AB 2702	Atkins	Climate Change	<p>Would state the intent of the Legislature to enact legislation that would continue the work with local</p>	DEAD- Did not pass Water, Parks and Wildlife Committee

			<p>governments, state agencies, and others to meet the goals set forth in Governor Brown's Under 2 MOU, which brings together subnational governments willing to commit to either reducing the emissions of greenhouse gases 80% to 95% below 1990 levels by 2050 or achieving a per capita annual emissions target of less than 2 metric tons of carbon dioxide equivalent by 2050.</p>	<p>Assembly Appropriations Committee</p>
<p>ACA-8</p>	<p>Bloom</p>	<p>Local government financing: water facilities and infrastructure: voter approval</p>	<p>Would create an additional exception to the 1% limit for a rate imposed by a city, county, city and county, or special district to service bonded indebtedness incurred to fund the construction, reconstruction, rehabilitation, or replacement of wastewater treatment facilities and related infrastructure, potable water producing facilities and related infrastructure, nonpotable water producing facilities and related infrastructure, and stormwater treatment facilities and related infrastructure, that is approved by 55% of the voters of the city, county, city and county, or special district, as applicable, if the proposition meets specified requirements, and would authorize a city, county, city and county, or special district to levy a 55% vote ad valorem tax. This bill contains other related provisions and other existing laws.</p>	<p>Assembly Rules Committee</p>
<p>SB 163</p>	<p>Hertzberg</p>	<p>Wastewater treatment: recycled water</p>	<p>Would declare that the discharge of treated wastewater from ocean outfalls, except in compliance with the bill's provisions, is a waste and unreasonable use of water in light of the cost-effective opportunities to recycle this water for further beneficial use. This bill, on or before January 1, 2026, would require a wastewater treatment facility discharging through an ocean outfall to achieve at least 50% reuse of the facility's actual annual flow, as defined, for beneficial purposes.</p>	<p>Oppose Unless Amended</p> <p>Assembly Rules Committee</p>
<p>SB 880</p>	<p>Wolk</p>	<p>Construction Contracts: Indemnity</p>	<p>Would specify, with certain exceptions, for construction contracts entered into on or after January 1, 2017, that a design professional, as defined, only has the duty to defend himself or herself from claims or lawsuits that arise out of, or pertain or relate to, negligence, recklessness, or willful misconduct of the design professional. Under the bill, a design professional would not have a duty to defend claims or lawsuits against any other person or entity arising from a construction project, except that person's or entity's reasonable defense costs arising out of the design professional's degree of fault, as specified.</p>	<p>OPPOSE</p> <p>Senate Judiciary Committee 5/3</p>

SB 1043	Allen	Renewable gas: biogas and biomethane	<p>Would require the State Air Resources Board to consider and adopt policies to significantly increase the sustainable production and use of renewable gas, as defined, and, in so doing, would require the state board, among other things, to ensure the production and use of renewable gas provides direct environmental benefits and identify barriers to the rapid development and use of renewable gas and potential sources of funding.</p>	Senate Appropriations
SB 1318	Wolk	Local government: drinking water infrastructure or services: wastewater infrastructure or services	<p>Would prohibit a local agency formation commission from authorizing a city or a district to extend drinking water infrastructure or services or wastewater infrastructure or services until it has extended those services to all disadvantaged communities within or adjacent to its sphere of influence, as specified, or has entered into an agreement to extend those services to those disadvantaged communities, unless specified conditions are met. This bill contains other related provisions and other existing laws.</p>	Senate Appropriations

**INFORMATION
ITEM**

5M

Date: May 18, 2016

To: The Honorable Board of Directors

Through: Public, Legislative Affairs, and Water Resources Committee (05/11/16)

From: *to* P. Joseph Grindstaff *PG*
General Manager

Submitted by: Chris Berch *CB*
Executive Manager of Engineering/Assistant General Manager

Sylvie Lee *SL*
Manager of Planning and Environmental Resources

Subject: 2015 Regional Urban Water Management Plan

RECOMMENDATION

This is an informational item for the Board of Directors to receive and file.

BACKGROUND

The California Water Code (CWC) Section 10620(a) requires an urban water supplier to prepare and adopt an urban water management plan (UWMP) consistent with CWC Section 10640. All urban water suppliers (including wholesalers), either publicly or privately owned, serving municipal water to greater than 3,000 customers or supplying more than 3,000 acre-feet annually are required to prepare and file a copy of its UWMP with the Department of Water Resources (DWR), the California State Library, and any city or county within which the participating agency provides water supplies, no later than 30 days after adoption. This is an informational item outlining the content of the draft 2015 Regional UWMP. The final Regional UWMP will be brought back before the Board for consideration on June 15, 2016. The Regional UWMP must be adopted by the IEUA Board of Directors and submitted to DWR by July 1, 2016.

An UWMP is a planning tool that provides guidance to water management agencies for the development of reliable water supplies to meet the needs of their communities. An UWMP is required for an urban water supplier to be eligible for DWR state grants, loans, and drought assistance. The Regional UWMP requires a detailed assessment of a number of planning issues including:

- The water supplies necessary to meet annual demands over a 25-year period, under multi-year drought and average year conditions;

2015 Regional Urban Water Management Plan

May 18, 2016

Page 2 of 3

- The stages of actions that need to be taken to address up to a 50% reduction in water supplies;
- The actions to be taken to address a catastrophic interruption in water supplies; and,
- The opportunities to maximize conservation and the use of recycled water, local groundwater supplies and other water supplies to reduce the need for imported supplies.

In addition to the mandatory reporting requirements, the 2015 Regional UWMP captures other Agency planning efforts incorporating its regional visions. Specifically, the Agency's completed Phase I Integrated Resources Plan (IRP) and the Water Use Efficiency (WUE) Business Plan Update (2015-2020). Key elements of these documents have been incorporated into the UWMP to enhance the UWMP requirements as outlined in the 2015 UWMP Guidebook for Wholesale Water Suppliers. Examples include unique regional planning factors influencing water supply reliability, population growth, supply and demand projections, demand management measures, and the impacts of projected land use and future WUE standards on water demands. The UWMP also includes chapters on Climate Change Vulnerability Assessment and Voluntary Reporting of Energy Intensity.

One key difference to note in the Agency's 2015 Regional UWMP is the union of two UWMPs into one document. Normally, the Agency and the Water Facilities Authority would complete individual UWMPs; however, based on duplication of efforts and discussion with the Department of Water Resources, a Regional UWMP was completed with the integration of content from both agencies.

As an additional element of the UWMP work, a Land-Use Based Model (Model) was developed from General Plan land use data that incorporated existing and future development within the region. The new Model provides member agencies with agency specific demands and projections while maintaining individual agency uniqueness to the retail level. The Model will be the vehicle by which the IRP Phase II Projects will be evaluated. The primary objective of the Model was to disaggregate regional data down to the member agency level for IEUA's UWMP. The demand projections developed in the model will be used by the Agency and member agencies for any system or supply planning purposes that require detailed demand estimates and projections, such as conservation savings analyses.

In May 2013, IEUA and its eight retail member agencies entered into a Memorandum of Understanding for establishing a Regional Alliance to comply with the Water Conservation Act of 2009 (SB X7-7). While IEUA, as a wholesale agency is not required to comply with SB X7-7, SB X7-7 provides that an urban water retailer may meet its urban water use target individually or through a regional water management group (Regional Alliance) by way of a mutual agreement. Once a Regional Alliance is filed with the Department of Water Resources (DWR) it is the responsibility of the wholesale agency to report to DWR on regional compliance. As a requirement of the 2015 Regional UWMP, IEUA worked with the members to recalculate 2010 baselines and re-calibrate 2015 and 2020 gallons per capita day (GPCD) compliance targets. Based on the analysis, the new regional baseline was set at 242 GPCD with the 2015 target re-calibrated at 217 GPCD. In calculating 2015 regional compliance with SB X7-7, the region's actual 2015 GPCD is reported to be 162 bringing all member agencies into compliance with the statute through the Regional Alliance.

The Plan is consistent with the Agency's Business Goal of increasing *Water Reliability* by promoting water use efficiency and education to enhance water supplies within the region; and meeting the region's need to develop reliable and diverse local water resources in order to reduce dependence on imported water supplies.

PRIOR BOARD ACTION

On June 2, 2011, the IEUA Board of Directors adopted the IEUA 2010 Regional Urban Water Management Plan.

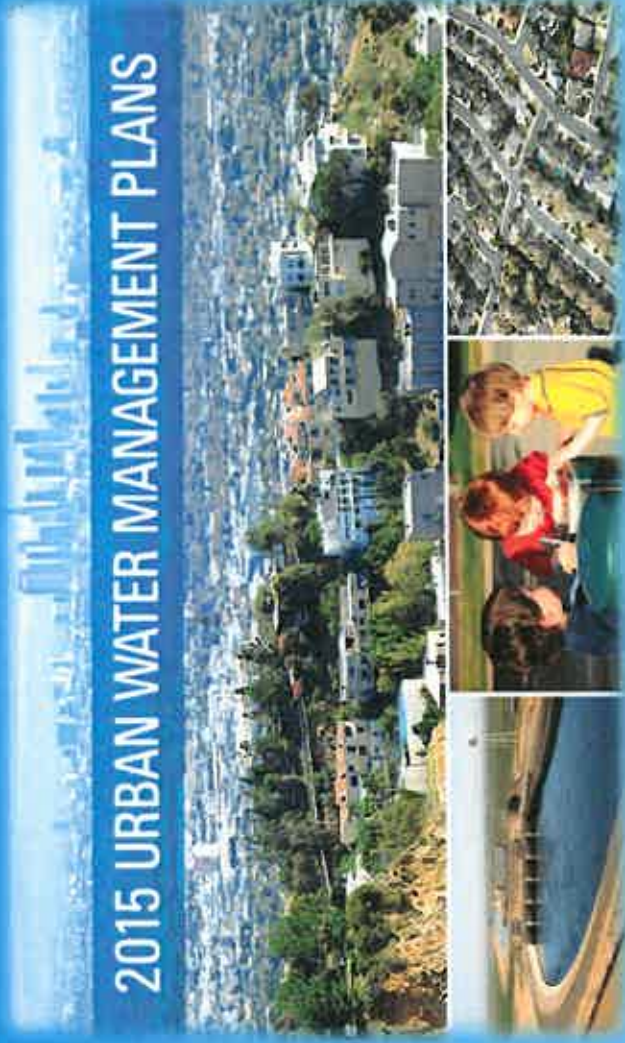
IMPACT ON BUDGET

None.

Attachment: The Draft 2015 Regional Urban Water Management Plan (2015-2020) can be viewed at the following link:

<https://ieua.hostedftp.com/JzryHWCC3TsQasxXGzSGxpoMW>

2015 Regional Urban Water Management Plan Update



Inland Empire Utilities Agency
A MUNICIPAL WATER DISTRICT

Lisa Morgan-Perales

**IEUA Board of Directors Meeting
May 2016**

Urban Water Management Planning Act

- The California Water Code requires an urban water supplier (including wholesalers), supplying more than 3,000 acre-feet annually or serving municipal water to 3,000 customers to prepare and adopt an urban water management plan (UWMP) and file with the Department of Water Resources (DWR) every five (5) years .
- The UWMP is required for an urban water supplier to be eligible for state grants, loans, and drought assistance.
- The UWMP must be adopted by the Board of Directors and submitted to DWR by July 1, 2016.

Key UWMP Code Changes

- **Mandatory Electronic Submittal – WUE data Online Submittal Tool**
- **Mandatory Use of Standardized Forms**
- **Demand Management Measures (DMMs) – Requires narratives describing DMMs past 5-years and future DMMS to achieve water use targets**
- **Mandatory Water Loss Reporting – Requires a plan to quantify and report on distribution system water loss**
- **Voluntary Reporting of Passive Savings – future water projections based on savings from codes, standards, ordinances, etc.**
- **Voluntary Reporting of Energy Intensity & Climate Vulnerabilities**

2015 Regional UWMP Development

- Land-Use Based Model Development
- Water Facilities Authority Partnership
- Integrated Resources Plan Incorporation
- Water Use Efficiency Business Plan Update
- IEUA's 2015 Recycled Water Program Strategy
- IEUA's Energy Management Plan
- IEUA's Asset Management Plan



Regional Alliance Compliance Retail Level Data

Agency	2015 Service Area Population	Baseline GPCD (10-15 year)	2015 Target GPCD	2015 Actual GPCD**	2020 Target GPCD	Selected Compliance Method (1 or 3)
Chino	73,966	235	211	157	188	1
Chino Hills	77,596	217	195	162	167	1
CVWD	200,466	291	262	180	233	1
Fontana	215,520	216	194	138	173	1
MVWD*	56,039	208	187	136	166	1
Ontario	168,777	235	207	152	188	1
Upland	75,787	271	244	233	217	1
IEUA REGION	868,151	243	218	162	194	
Includes RW Credit				21	35	
Includes WUE Credit				3	6-11	

*Unconfirmed numbers

Next Steps

- **Comment Period: May 2, 2016 - July 15, 2016**
- **Public Hearing: June 15, 2016**
- **Adopt the 2015 Regional Urban Water Management Plan: June 15, 2016**
- **Submit plan to DWR : July 1, 2016**



**INFORMATION
ITEM**

5 N

Date: May 18, 2016

To: The Honorable Board of Directors

Through: Public, Legislative Affairs, and Water Resources Committee (05/11/16)
Finance, Legal & Administration Committee (05/11/16)

From: *to* P. Joseph Grindstaff *WJ*
General Manager

Submitted by: Chris Berch *CB*
Executive Manager of Engineering/Assistant General Manager

Sylvie Lee *SL*
Manager of Planning and Environmental Resources

Subject: Water Ordinance No. 104

RECOMMENDATION

This is an informational item for the Board of Directors to receive and file.

BACKGROUND

In March 2015 the Agency completed the Cost of Service Study and on June 17, 2015, the Board adopted the water rates. Based on the Agency's commitment to our member agencies, the proposed water rates and methods identified in the Cost of Service Study were deferred to FY2016-17 to allow for continued discussion. During the transition to the new water rate structure, Agency staff identified revisions needed to the current Ordinance No. 103 to ensure that the Agency adopts resolutions in compliance with the approved legislation pursuant to the authority contained in the Municipal Water District Law of 1911, California Water Code, §71616.

The Agency's General Counsel has also reviewed the proposed revisions to Ordinance No. 103. To account for these revisions and upon approval, Ordinance No. 104 has been developed and shall supersede Ordinance No. 103. Staff will bring back Ordinance No. 104 to the Board in June 2016 as an action item for the Board to consider.

Key revisions are summarized below:

Part I, Section 107 – Definition of Terms

- Further defined Metropolitan Water District of Southern California (MWD) water fees and charges.
- Deleted Retail Meter Charge and replaced with Meter Equivalent Unit (MEU) Charge as the MEU Charge is the new method being adopted by the Agency.
- Updated Program Charge to include special projects (non-capital projects such as reports and studies) as part of the charge imposed by IEUA.

Part III, Division II, Section 301 – Other Charges: Deleted Retail Meter Charge and replaced with MEU Charge.

The Connection Fee, Classes of Water Service and Regulating the Sale and Delivery of Water Ordinance No. 104 is consistent with the Agency's Business Goal of *Fiscal Responsibility* by safeguarding the Agency's fiscal health through transparent fiscal policies of the Agency.

PRIOR BOARD ACTION

On May 20, 2015, the Agency's Board of Directors approved the Classes of Water Service and Regulating the Sale and Delivery of Imported Water Ordinance No. 103 to supersede Ordinance No. 100.

IMPACT ON BUDGET

None.

Attachment: Draft - Ordinance No. 104: Classes of Water Services & Regulating the Sale and Delivery of Water.

Water Ordinance No. 104



Inland Empire Utilities Agency
A MUNICIPAL WATER DISTRICT

Jason Pivovarov

IEUA Board of Directors Meeting
May 2016

Current Ordinance

- Cost of Service Study (COS) completed in March 2015
- Ordinance No. 103 adopted June 17, 2015
 - To include water connection fees and slight revisions to ensure compliance with California Water Code.
- Agency deferred proposed COS water rates to FY2016/17

Updates to Ordinance No. 104

- Definition of Terms to further define MWD Full Service Rate
- Deleted the Retail Meter Charge and replaced with MEU Charge
 - Retail Meter Charge = recover based on per account basis
 - MEU Charge = recover based on users potential capacity on the system

Incentives for Promoting Recycled Water

- **Section 202 – Water Meter Connection Fees:**
 - Requires all new connections or upsize to pay a water connection fee
 - Regardless of modification or water supply type (one water connection fee)
- **To promote RW use, should the Agency consider incentives?**
 - For example, to encourage RW conversions, should the connection fee be waived?
 - Provision – an existing customer doing conversion to recycled water, and if customer can prove that their demand will not increase from current use

Next Steps

- June 2016 Public Hearing and Board consideration
 - Ordinance No.104

ORDINANCE NO. 1043

AN ORDINANCE OF THE BOARD OF DIRECTORS OF INLAND EMPIRE UTILITIES AGENCY*, SAN BERNARDINO COUNTY, CALIFORNIA, ESTABLISHING WATER CONNECTION FEES, CLASSES OF WATER SERVICE AND REGULATING THE SALE AND DELIVERY OF WATER WITHIN THE INLAND EMPIRE UTILITIES AGENCY* SERVICE AREA

BE IT ORDAINED by the Board of Directors of the Inland Empire Utilities Agency* (“Agency”) as follows:

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DIVISION 1 – GENERAL

PART I - ADMINISTRATION

SECTION 101 –AUTHORIZATION:

This Ordinance is enacted pursuant to the authority contained in the Municipal Water District Law of 1911, California Water Code, §71616- et. seq., as amended, and California Government Code §66013 and §54999.

SECTION 102 - PURPOSE AND OBJECTIVES:

The purpose of this Ordinance is to establish classes of water service, rates, and charges for the delivery of imported and supplemental water within the Inland Empire Utilities Agency service area, to promote the conservation and reuse of water resources, and to provide procedures for complying with requirements placed upon the Inland Empire Utilities Agency by the Metropolitan Water District of Southern California.

Inland Empire Utilities Agency is a member agency of the Metropolitan Water District of Southern California.

The objectives of this Ordinance are:

- (A) To establish water connection fees to cover IEUA's cost of water infrastructure and supplies and other related expenses and financial requirements.
- (B) To adopt terms and conditions for the fixing of water connection fees from time to time by resolution by the Board of Directors.
- (C) To define classifications of water service and establish water rates and charges for the sale of imported ~~water and supplemental water~~ sufficient to cover IEUA's cost of water and other operating expenses and financial requirements.
- (D) To adopt terms and conditions for the provision of the various classes of water and to provide for the fixing of water rates and charges from time to time by resolution of the Board of Directors.

- (E) To establish water connection fees from each new connection or upsized connection within IEUA's service area as a condition of receiving water deliveries from any source provided by IEUA.
- (F) To provide for the collection from each IEUA Local Agency, those charges imposed by Metropolitan on IEUA as a condition of receiving water deliveries from Metropolitan, including but not limited to, a Readiness-to-Serve Charge, a New Demand Charge, a ~~Retail Meter Charge, and a~~ Connection Maintenance Charge and Capacity Charge.
- (G) To encourage the use of recycled water to supplement existing surface and underground water supplies to assist in meeting the future water requirements within the service area. To encourage the efficient use of water and affect change in water-use habits to reduce ~~imported~~ water demand.
- (H) To establish provisions for obtaining funds for capital projects necessary to support supplemental water supply sources, development and implementation of conservation and water use efficiency programs to increase supply reliability and meet future water demands within the service area.

SECTION 103 – SEVERABILITY:

If any section, subsection, sentence, clause or phrase of this Ordinance is for any reason found to be invalid or unconstitutional by any court of competent jurisdiction, such decision shall not affect the remaining portion of this Ordinance. The Inland Empire Utilities Agency Board of Directors declares that it would have approved this Ordinance by section, subsection, sentence, clause, or phrase irrespective of the fact that any one or more of the sections, subsections, sentences, clauses or phrases be declared invalid or unconstitutional.

SECTION 104 - SERVICE AREA:

This Ordinance pertains to Local Agencies within the boundaries of the IEUA service area unless otherwise stated.

SECTION 105 – ADMINISTRATOR:

Except as otherwise provided herein, the General Manager shall administer, implement, and enforce the provision of this Ordinance. The General Manager may, at his discretion, delegate any or all of these powers and duties.

SECTION 106 - RIGHT OF REVISION:

IEUA reserves the right to amend this Ordinance, as it deems appropriate.

SECTION 107 - DEFINITION OF TERMS:

- (A) **AGRICULTURAL PURPOSES:** the growing or raising in conformity with recognized practices of husbandry, for the purposes of commerce, trade, or industry, or for use by public educational or correctional institutions, of agricultural, horticultural, or floricultural products, and produce (1) for human consumption or for the market, or (2) for the feeding of fowl or livestock produced for human consumption or for the market, or (3) for the feeding of fowl or livestock for the purpose of obtaining their products for human consumption or for the market, such products to be grown or raised on a parcel of land having an area of not less than one acre utilized exclusively therefor.
- ~~(B)~~ **BOARD OF DIRECTORS:** the Board of Directors of the Inland Empire Utilities Agency.
- ~~(C)~~ **GENERAL MANAGER:** the General Manager or a duly Authorized Representative of the Inland Empire Utilities Agency.
- ~~(D)~~ **CALENDAR YEAR:** the time period which commences January 1 of each calendar year and ends December 31 of the calendar year.
- ~~(B)~~~~(E)~~ **CAPACITY CHARGE:** a pass-through charge of the monetary annual charge imposed by Metropolitan based on the maximum summer day demand placed on the Metropolitan system by IEUA between May 1 and September 30 in cubic foot per second during a rolling three-calendar year period.
- ~~(E)~~~~(F)~~ **CONNECTED CAPACITY:** a measure of the size of the service connection to the Metropolitan System or to any water system within the Agency's service area, which will be used for purposes of determining the fixed capital, operation and maintenance charges among the Service Connections.
- ~~(D)~~~~(G)~~ **CONNECTION FEE:** a one-time charge imposed on any new retail water connection or upsized connection, based upon the connected capacity, to any water system within ~~the Agency's~~IEUA's service area.
- ~~(H)~~ **CONSERVATION CHARGE:** the charge for ~~capital~~regional conservation projects necessary to support water conservation program development within the service area.
- ~~(E)~~~~(I)~~ **DOMESTIC AND MUNICIPAL PURPOSES:** the use of water for all domestic, municipal, commercial, industrial and recreational purposes commonly, but not exclusively, serviced by the water supply of a city, town, or other similar population group, but shall not include water use for agricultural purposes.
- ~~(F)~~~~(J)~~ **DROUGHT CHARGE:** the charge for the programs needed to meet the reduced water supply made available to the region.

~~(K)~~(K) FISCAL YEAR: the time period which commences July 1 of each calendar year and ends June 30 of the following calendar year.

~~(H)~~(L) FULL SERVICE WATER RATE: service of Metropolitan water that does not meet the criteria for other classes of service or special programs. For purposes of agreements with Metropolitan, reference to the Full Service Water Rate shall be as defined by Metropolitan's Administrative Code.

~~(H)~~(M) GROUNDWATER BASIN: any groundwater basin located entirely, ~~or~~ partially within or adjacent to ~~within~~ the boundaries of Inland Empire Utilities Agency.

~~(H)~~(N) GROUNDWATER REPLENISHMENT: the act of spreading, injecting, or causing to be spread or injected, water for the purpose of replenishing natural groundwater basins, without regard to subsequent use of the water.

~~(K)~~(O) IMPORTED WATER: water which is acquired by IEUA from Metropolitan and other Agencies or Entities, except for can be treated or untreated water but excludes recycled water sources.

~~(L)~~(P) IEUA: Inland Empire Utilities Agency or its officers or representatives when in the exercise of their official business.

~~(M)~~ IEUA READINESS TO SERVE (RTS) CHARGE SHARE or RTS SHARE: a pass-through of Metropolitan's annual percent share of RTS charge imposed on the IEUA service area.

~~(O)~~ IN-LIEU GROUNDWATER REPLENISHMENT: maintenance or replenishment of water supplies in groundwater basins by reduction or elimination of extraction therefrom through the substitution of deliveries of water to IEUA local agencies from surface distribution facilities in-lieu of such extraction.

~~(R)~~ LONG-TERM SEASONAL STORAGE (LTSS): delivery of imported water by IEUA to an IEUA Local Agency, for storage, by direct or in-lieu methods, beyond the 12-month Seasonal Storage Service program period. Local production is reduced over the winter period and IEUA deliveries are increased under this program. LTSS may be made available at other times based on terms and conditions established by the General Manager.

~~(N)~~(S) LOCAL AGENCY: any individual, partnership, association, corporation, governmental entity or agency, mutual water company, water company, or any other organization and users of water in such quantity as to merit being considered for an individual service connection from IEUA.

(T) METER EQUIVALENT UNIT (MEU): the number of equivalent base meters served by an IEUA Local Agency. The number of MEU's is determined by multiplying the number of active water accounts of each water meter size by the MEU ratio associated with that meter size. The MEU ratio is established by the assigned base meter size of 5/8-inch.

(U) METER EQUIVALENT UNIT (MEU) CHARGE: an annual basic charge imposed by the IEUA for each MEU served by an IEUA Local Agency which exists as of January 1 of each year. The charge shall be established at a level which will yield revenues sufficient to recover the Program Charge, costs incurred for the Water Conservation Program, which also includes the Conservation and Drought Charges, and could include a portion of the Net RTS charge by Metropolitan.

~~(V)~~ METROPOLITAN: Metropolitan Water District of Southern California.

~~(W)~~ METROPOLITAN CONNECTION MAINTENANCE CHARGE (CMC): a pass-through charge of the monetary charge imposed by Metropolitan on IEUA to recover a portion of the cost associated with operating and maintaining service connections and other connection related costs.

~~(X)~~ METROPOLITAN NEW DEMAND CHARGE ~~-BASE~~: a pass-through charge of the monetary charge imposed by Metropolitan based on water demand measured in acre-feet allocated by Metropolitan to IEUA as the basis for determining whether IEUA or an IEUA Local Agency its local agencies will incur a charge and the amount of the charge under Metropolitan's New Demand Charge.

(Y) METROPOLITAN WATER DISTRICT FACILITIES: those facilities of Metropolitan that can provide water service to IEUA.

~~(Z)~~ READINESS-TO-SERVE (RTS) CHARGE ~~or RTS CHARGE~~: a pass-through charge of the total monetary RTS charge, as determined by the RTS Share, imposed by Metropolitan on IEUA to recover the costs of emergency system storage and the cost of system conveyance capacity for peak and standby use not recovered by property tax revenue, cover fixed costs associated with the water quality and reliability benefits provided by Metropolitan's system.

(AA) READINESS-TO-SERVE (RTS) SHARE: the annual percent share of the RTS Charge imposed on IEUA which is not collected as a Standby Charge on property within IEUA's service area.

~~(R)~~ —

~~(S)~~ NET METROPOLITAN READINESS-TO-SERVE CHARGE ~~or NET RTS CHARGE~~: portion of the Metropolitan RTS charge which is not collected as a standby charge on property within IEUA's boundaries and is billed by Metropolitan directly to IEUA.

(+) (BB) RETAIL METER CHARGE: an annual basic charge imposed by the IEUA for each active retail water meter served by an IEUA Local Agency which exists as of January 1 of each year. The charge shall be established at a level which will yield revenues sufficient to cover the Net RTS charge by Metropolitan, Program Charge and costs incurred for the Water Conservation Program, including the Conservation and Drought Charges.

(CC) PROGRAM CHARGE: the charge levied-imposed by the IEUA on imported-deliveries for each class of water service water-deliveries to offset administration, operation, special projects, maintenance, depreciation expenses, and debt service incurred by the IEUA in association with the water resources program.

(U) (DD) RECYCLED WATER; as defined in Title 22, Division 4, of the California Administrative Code, as amended from time to time, is water which as a result of treatment of wastewater, is suitable for direct beneficial use or a controlled use that otherwise would not occur.

(V) (EE) RESERVOIR STORAGE: the act of storing water in surface reservoirs or the maintenance of reservoir storage by reduction or elimination of reservoir withdrawals through substitution of surface deliveries of water to consumers from surface distribution facilities in lieu of such withdrawals.

(W) (FF) SEASONAL STORAGE SERVICE: additional summer production of local water supply sources by the IEUA Local Agency that is offset by equivalent IEUA imported winter water deliveries to the Local Agency within a 12-month period.

(GG) SERVICE CONNECTION: outlet pipe together with a shutoff valve and a meter to record the flow of water.

(HH) SPECIAL PROJECTS: non-capital projects that include planning and feasibility studies and reports, excludes conservation related programs and projects.

(X) (II) SEASONAL SHIFT STORAGE: deliveries of water by IEUA to an IEUA local agency in the winter period for groundwater replenishment by spreading or injecting or in-lieu deliveries of water which would have otherwise been produced from local sources, and which replaces local storage depleted by increased pumping from local sources during the preceding summer period to reduce, by an equivalent amount, the water deliveries from IEUA which would otherwise have been taken by the IEUA local agency during the preceding summer period, as calculated in their seasonal storage service certification form. Local production and IEUA deliveries remain the same for the combined summer and winter periods under this program.

(Y) (JJ) STANDBY CHARGE: revenue collected by Metropolitan on parcels of land within the IEUA service area to offset all or a portion of the RTS charge-Chargeobligation.

~~(KK)~~ SUPPLEMENTAL WATER: includes recycled water, captured and treated stormwater, and water imported by IEUA which does not represent a delivery from Metropolitan to IEUA.

~~(Z)(LL)~~ WATER CONSERVATION PROGRAM: ~~cost -programsfor programs~~ developed and implemented that are necessary to achieve efficient use of water resources to help meet future water demands within the service area

SECTION 108 - DUTY TO COMPLY:

All Local Agencies shall comply with all conditions of this Ordinance. Any Local Agency that is not in compliance with any provision of this Ordinance constitutes a violation of this Ordinance and is grounds for enforcement action as provided for in Division I, Part II of this Ordinance.

SECTION 109- RECYCLED WATER:

All Local Agencies are encouraged to promote the reuse of recycled water supplies in their service areas wherever technically and economically reasonable, and in compliance with the IEUA's Regional Reclamation Ordinance No. 63, as amended from time to time. Recycled water is available for the following uses: agricultural, recharge, wildlife habitat, recreational impoundments and any additional use provided for under Title 22, Division 4, of the California Administrative Code, as amended from time to time. To support the development of recycled water projects, IEUA may implement, from time to time, financial incentive programs, and levy additional imported water administrative charges to fund these incentive programs.

SECTION 110- WATER CONSERVATION:

All Local Agencies are encouraged to promote urban water conservation to supplement existing surface and underground water supplies and to assist in meeting the future water requirements of the region. To support the implementation of water conservation programs, IEUA may implement, from time to time, financial incentive programs and levy additional imported water administrative charges to fund these programs.

PART II – ENFORCEMENT

SECTION 201 -PROTECTION FROM DAMAGE:

No person, organization, or Local Agency shall maliciously, willfully, or negligently break, damage, destroy, impair the usefulness, uncover, deface, or tamper with any structure, appurtenance, or equipment which is a part of IEUA's Water Distribution System.

SECTION 202 - PENALTY FOR VIOLATION:

The IEUA shall have the right to assess such penalties as may be permitted by law and/or discontinue the water service to the connection, up to and including seizure of the service connection, of any Local Agency for failure to comply with any rule or regulation of the IEUA. A Local Agency will be notified of the IEUA's intention to discontinue service for non-compliance, with an explanation of the violation or infraction committed. A Local Agency shall have thirty (30) calendar days to respond before any action will be taken by the IEUA. However, no such notice to afford an opportunity to comply need be given in those instances in which the non-compliance may cause conditions dangerous and detrimental to public health, safety and welfare, or are in violation of State law or applicable section of the California Penal Code. These violations include, but are not limited to trespass, assault, water theft, cross connection, and water system damage.

DIVISION II -SERVICE CLASSIFICATION, RATES AND CHARGES

PART I – CLASSIFICATION

SECTION 101 -CLASSES OF SERVICE:

The classes of service for water are as follows:

- (A) Full Service Untreated (for domestic and municipal purposes, including groundwater replenishment, **injection and** in-lieu groundwater replenishment and reservoir storage).
- (B) Full Service Treated (for domestic and municipal purposes).
- (C) Interim Agricultural Untreated (for agricultural purposes without incidental domestic use for dwellings).
- (D) Seasonal Storage (for Long Term Seasonal Shift-Untreated and Seasonal Shift Storage-Untreated).
- (E) Recycled Water (recycled water delivered by the IEUA to the Local Agencies for selected non-potable uses, **without regard to subsequent use of the water).**

- (F) Replenishment (untreated water for groundwater replenishment ~~by spreading~~ by spreading, injecting or in-lieu deliveries of water within the service area).
- (G) Supplemental Water (includes recycled water and water imported to the IEUA service area from outside the Chino Basin Watershed, other than imported water delivered from Metropolitan to IEUA, without regard to subsequent use of the water).

PART II- WATER RATES

SECTION 201 –RATES:

The water rate shall be established in an amount which in combination with revenues from other charges collected by IEUA will result in revenues sufficient for the purposes set forth in §71616 of the California Water Code, and shall include but not be limited to, components for:

- (A) the cost for the acquisition of water (e.g., for water acquired from Metropolitan, the cost of acquisition would be Metropolitan's water supply rate for each class, including any penalties and other applicable charges); and
- (B) the cost incurred for the Program Charge by IEUA.
- (C) the cost incurred for the Water Conservation Program, which includes the Conservation and Drought Charges.

The Board shall establish said rates by resolution and shall adjust said rates from time to time by resolution. Written notice of the proposed establishment of water rates or amendment of water rates shall be given to all local agencies not less than 45-15 days prior to the meeting at which such resolution will be considered.

SECTION 202 – CONNECTION FEES:

The water connection fees shall be established and collected by IEUA in order to proportionally recover the costs to create regional supplies that are available to meet the water demands of future development. Any customer requesting a new connection to a water distribution system within IEUA service area, or requiring an additional connection as a result of any addition, improvement, modification, or change in use of an existing connection to a water distribution system shall pay a water connection fee. The connection fee may not be sold, traded, or conveyed in a manner to another site or customer. The connection does not convey or imply ownership in or of any facilities of ~~the Agency~~IEUA's water system.

Customers subject to payment of the water connection fee shall pay 100% of the fee prior to issuance of the applicable permit to construct. Any plan changes may result in a revised

connection fee payment. Assessment of the applicable connection fee will be based on the date that ~~the General Manager~~ IEUA receives the final permit application and building plans. If full payment of all fees and charges is not received in accordance with the ~~resolution~~ General Manager's payment requirements, the new or additional water services will not be authorized.

The connection fees have been developed in accordance with California Government Code §66013 and California Water Code §71616 and shall include, but not be limited to components for:

- (A) The cost for the construction of capture, treatment, transmission, distribution, and injection facilities;
- (B) The cost incurred for the Water Conservation Program which includes the Conservation and Drought Charges;
- (C) Provide a reasonable surplus for improvements, extensions, and enlargements for ~~operating system reliability~~ contingency and ~~associated~~ debt services ~~costs~~;
- (D) The cost to administer the program incurred by IEUA; and
- (E) Any other costs that are deemed appropriate and comply with governing laws.

The Board shall establish said connection fees by resolution and shall adjust said fees from time to time by resolution. Written notice of the proposed establishment of water rates or amendment of water rates shall be given to all local agencies not less than 15 days prior to the meeting at which such resolution will be considered.

SECTION 203 – RIGHT TO INSPECT DOCUMENTS AND PROPERTY:

IEUA retains the right, upon reasonable notice, to audit all public records and accounts of any local agency, to ensure ongoing compliance and enforcement of this ordinance. Additionally, pursuant to California Water Code § 71601, IEUA may enter upon the private property of any person to investigate possible violations of this ordinance, including, but not limited to the verification of meter connections previously issued by IEUA to verify that no unauthorized or non-permitted meter change has occurred.

SECTION 204 – LIEN FOR CHARGES:

Charges fixed by IEUA shall be a lien on all the property benefitted thereby as provided in California Water Code § 71637 and shall have the same force and effect as other liens for taxes and may be enforced by the same means as provided for the enforcement of liens for state and county taxes.

PART III - OTHER CHARGES

SECTION 301 -OTHER CHARGES:

In addition to the water rates provided in Division II, Part II, Section 201, this ordinance authorizes IEUA to levy on each IEUA Local Agency the following charges:

- (A) ~~IEUA Readiness-to-Serve-Charge: a pass-through of Metropolitan's annual monetary charge imposed on IEUA which provides a firm revenue source to cover the fixed costs associated with the water quality and reliability benefits provided by Metropolitan's system.~~
- (B) ~~IEUA New Demand Charge: a pass-through of of Metropolitan's charge imposed on IEUA which shall be assessed to an IEUA Local Agency for each increment of water by which the IEUA Local Agency New Demand Charge Rolling Average exceeds the IEUA Local Agency's New Demand Charge Base allocated to that IEUA Local Agency.~~
- ~~(C)~~ (D) ~~Connection Maintenance Charge: a pass-through of Metropolitan's annual monetary charge which shall be assessed to each IEUA Local Agency based upon that IEUA Local Agency's connected capacity at each Metropolitan Service Connection.~~
- ~~(E) The IEUA Readiness to Serve Charge, IEUA New Demand Charge, and IEUA Connection Maintenance Charge shall be set by the Board of IEUA by resolution and shall be established at a level which will yield revenues sufficient to cover the charges imposed by Metropolitan upon IEUA under Metropolitan's Readiness to Serve Charge, New Demand Charge, and Connection Maintenance Charge, provided that IEUA charges may provide for collection in advance of expected invoice by Metropolitan and provide for a reasonable excess to cover variations in the amount of Metropolitan's charges which cannot be calculated in advance.~~
- ~~(F)~~ (D) ~~Retail Meter Charge: an annual basic charge for each active retail water meter served by an IEUA Local Agency which exists as of January 1 of each year. The meter charge shall be set by the Board of IEUA by resolution and shall be established at a level which will yield revenues sufficient to cover the Net RTS charge, Program Charge and costs incurred for the Water Conservation Program, including the Conservation and Drought Charges.~~
- (E) Meter Equivalent Unit Charge
- ~~(G)~~ (F) ~~Capacity Charge: a pass-through of Metropolitan's semiannual monetary charge imposed on IEUA based on the maximum summer day demand placed on Metropolitan's system between May 1 and September 30.~~

~~(H)~~(G) Any additional charges imposed on IEUA by Metropolitan shall be administered as a pass-through charge.

Water rates and charges shall be set by the Board of IEUA by resolution and shall be established at a level which will yield revenues sufficient to cover the charges imposed by Metropolitan upon IEUA. IEUA may provide for collection in advance of expected invoice by Metropolitan and provide for a reasonable excess to cover variations in the amount of Metropolitan's charges which cannot be calculated in advance.

DIVISION III – REGULATIONS AS RELATED TO THE SALE OF IMPORTED WATER FROM METROPOLITAN

PART I- WATER SERVICE REGULATIONS

SECTION 101- OBLIGATION TO PAY FOR WATER DELIVERED:

All water delivered through any service connection to an IEUA Local Agency for use within the Local Agency shall be supplied in accordance with the provisions of the Metropolitan Water District Act and the rules and regulations of IEUA. IEUA shall bill the Local Agency for all water delivered through the service connection, and the Local Agency shall pay IEUA for all water so delivered at the rate or rates fixed by the Board of Directors by Resolution.

SECTION 102 - LIABILITY AND INDEMNIFICATION:

All contracts for the delivery of water to others shall contain the following language: Neither IEUA nor any of its officers, agents, or employees shall be liable for the control, carriage, handling, use, disposal, or distribution of water supplied by IEUA to a Local Agency after such water has been delivered to such Local Agency; nor for claim of damage of any nature whatsoever, including but not limited to property damage, personal injury or death, arising out of or connected with the control, carriage, handling, use, disposal, or distribution of such water beyond the point of such delivery; and the Local Agency shall indemnify and hold harmless IEUA and its officers, agents, and employees from any such damages or claims of damages, and shall reimburse IEUA for costs of repair of IEUA's facilities and other damages resulting from the operations of the Local Agency. Neither the Local Agency nor any of its officers, agents, or employees shall be liable for the control, carriage, handling, use, disposal, or distribution of water prior to such water being delivered to the Local Agency; nor for claim of damage of any nature whatsoever, including but not limited to property damage, personal injury or death, arising out of or connected with the control, carriage, handling, use, disposal, or distribution of such water prior to its delivery to such Local Agency, excepting, however, claims by IEUA for costs of repair to IEUA's facilities and other damages resulting from the operations of the Local Agency; and IEUA shall indemnify and

hold harmless the Local Agency and its officers, agents, and employees from any such damages or claim of damages, except claims by IEUA for costs of repair of IEUA's facilities and other damages resulting from the operations of the Local Agency.

SECTION 103 - SUSPENSION OF DELIVERIES:

Whenever repairs or maintenance of Metropolitan's and/or IEUA's system shall require suspension of delivery of water at any point or points, such delivery may be suspended without liability on the part of the IEUA; provided, that except in cases of emergency, as determined by the General Manager, notice of such suspension of service shall be given to the affected Local Agency in advance of such suspension.

Each Local Agency should have a seven (7) day supply of water in case of an interruption in Metropolitan deliveries. Except in cases of emergency, IEUA will notice long term (over seven days) shutdowns at least one year in advance and produce a shutdown schedule in September of each year for shutdowns less than seven days.

Seasonal Storage Service certifications will be adjusted for the reduction of credits that are accrued due to shutdowns that are greater than seven days. No adjustments will be made for shutdowns seven days or less.

SECTION 104 - RATES OF FLOW:

- (A) IEUA shall have the right to regulate and prescribe the maximum and minimum quantities of water that shall be discharged or delivered through any service connection so as to assure equitable service to all Local Agencies, and maintain compliance with Metropolitan's rules and regulations as may be amended from time to time.

SECTION 105 - WATER REQUIREMENTS AND SCHEDULE OF DELIVERIES:

(A) Before January 31 of each year or at such time as the General Manager may specify, each IEUA Local Agency shall furnish IEUA, on form provided by IEUA, the quantity of active water service accounts, an estimate of the amounts of water to be furnished to such IEUA Local Agency by IEUA, and an estimate of the quantity of water anticipated to be obtained from local sources to meet IEUA Local Agency needs. The estimate shall constitute the Local Agency's request for deliveries for the first of the five (5) years covered therein.

~~(A)(B)~~ Requests made by IEUA to a Local Agency shall be complete and returned to IEUA no later than 45 calendar days after the initial request.

~~(B)(C)~~ Each estimate furnished by a Local Agency shall contain, as a minimum, ~~for each service connection and for each month of the fiscal year beginning with the succeeding July 1, and for each month of the succeeding years,~~ the following information:

- (1) The quantity of untreated water to be delivered by IEUA to the IEUA Local Agency in full service for each month of the Fiscal Year.
- ~~(2)~~ The quantity of water to be delivered by IEUA to the IEUA Local Agency in ~~Interim~~-Agricultural Water Service for each month of the Fiscal Year.
- ~~(3)~~ The quantity of water to be delivered by IEUA to the IEUA Local Agency in Replenishment Water Service for each month of the Fiscal Year.
- ~~(2)~~ _____
- ~~(3)~~~~(4)~~ The quantity of water to be delivered by IEUA to IEUA Local Agency in Seasonal Storage Service for each month of the Fiscal Year.
- ~~(4)~~~~(5)~~ With regard to water estimated to be delivered in Seasonal Storage Service, the quantity of water to be used for:
- (a) Domestic and municipal purposes, exclusive of groundwater replenishment by spreading or injecting;
 - (b) Groundwater replenishment by spreading or injecting;
 - ~~(c)~~ _____ Direct Reservoir Storage.
- ~~(e)~~~~(6)~~ The quantity of active water service accounts itemized by customer class and meter size.

SECTION 106- METERING OF WATER:

All water delivered by IEUA shall be metered. Meter readings shall be made on or about the last day of each calendar month for billing purposes. Any Local Agency may request that the meter through which its water is being furnished be examined and tested by IEUA for the purpose of checking its accuracy. Such requests shall be made in writing to the General Manager and shall be accompanied by a deposit of the estimated cost of such examination and test as determined by the General Manager. Such demands may not be made more often than once a year without evident cause.

Any Local Agency affected shall have the right to be represented by a qualified observer at and during any such tests. In the event that any such test shall disclose an error exceeding two (2) percent, an adjustment shall be made in charges made to the affected Local Agency, covering the known or estimated period of duration of such error, but in no event exceeding six months, and the deposit shall be refunded. In the event that any such test shall disclose an error below two (2) percent, the deposit shall be retained by IEUA and the water bill paid as rendered.

SECTION ~~108-107~~ - DELINQUENT PAYMENT:

- (A) In the event any IEUA Local Agency is delinquent in payment of bills for water rates and charges, a penalty of ten (10) percent of the original unpaid invoice amount shall be added to any fee or charge that becomes delinquent. Interest at the maximum rate provided by California Government Code Section 926.10 as may be amended from time to time, shall accrue on the total of all delinquent fees or charges, commencing on the 25th calendar day after the postmark of the invoice, and shall be added to any fee or charge that becomes delinquent. Invoices for delinquencies, including additional charges, shall be mailed within five (5) business days of delinquency. Additional charges provided herein for delinquent payments may be waived by the Board upon written request by the IEUA Local Agency upon a finding that the delinquency was caused by excusable neglect or circumstances beyond the control of the IEUA Local Agency, provided that the delinquent Local Agency reimburses IEUA for all costs and penalties actually incurred by IEUA as a result of the delinquent payment. In the event that any IEUA Local Agency which receives deliveries of water from IEUA shall be delinquent for more than 25 calendar days in the payment of billings for IEUA's charges, the Board, at its discretion and upon other conditions as it may prescribe, after giving the IEUA Local Agency a 20 calendar day notice in writing of such delinquency and of the right to request a hearing on the matter, and after such hearing, if requested, may order the termination of water service to such agency until all delinquent payments, including additional charges, are made to IEUA, and may authorize such other action as may be appropriate.

In the event a mistake is discovered in a water sales record of IEUA, the General Manager shall initiate appropriate corrective action, except that no mistake made more than three (3) years prior to discovery shall be corrected. If an incorrect invoice has been issued to a Local Agency, the General Manager shall notify the affected Local Agency of any adjustment and the manner of making any required credit or charge, neither of which shall bear interest.

- (B) In the event that a retail water customer does not pay required connection fees in full, a penalty charge shall be imposed and must be paid in full prior to continued water service. The delinquent payment shall include any unpaid portion of the connection fee plus a penalty charge of ten (10) percent interest per annum beginning from the date of delinquency. All charges and penalties shall be assessed based on the connection fee that is in place at the time that full payment occurs.

SECTION ~~109-108~~ – NOTICES:

All notices and communications from Local Agencies to IEUA, relating to the service of water or the administration of these regulations by IEUA, shall be addressed to the General Manager, Post Office Box 697, Rancho Cucamonga, California 91729-0697, or such address as may be established by IEUA.

SECTION ~~110-109~~ - WATER AVAILABILITY:

All sales and deliveries of water at the rates established by Board resolution shall be subject to the ability of IEUA to sell and deliver such water under operating conditions determined by the General Manager.

- (A) IEUA may restrict the use of available water during any emergency caused by drought or other threatened or existing water shortages and during such periods prohibit wastage of ~~IEUA~~ water or the use of available ~~IEUA~~ water for any purpose other than household uses or such other limited uses as may be determined by IEUA to be essential. IEUA shall prohibit use of water during such periods for specific uses which IEUA may deem to be nonessential.
- (B) IEUA shall have the right to turn off water from lines and pipes of the system in case of an emergency, without notice. However, when possible, advance notice will be given by IEUA whenever Metropolitan announces an impending temporary shut-down of service or if a need arises for IEUA to shut down temporarily for routine or emergency repairs.

SECTION ~~110111~~ - ANNEXATIONS AND DETACHMENTS:

IEUA makes available water to the people and land within its service area boundaries. A request for annexation of area to the IEUA shall be made in writing and executed on behalf of the Local Agency responsible for providing water service to the annexing area, the area which is or is proposed to be situated. Local Agency annexation proposals shall be evaluated according to the requirements set forth by IEUA, and in accordance with Metropolitan's Administrative Code, as amended from time to time.

PART II - SERVICE CONNECTIONS

SECTION 201 -GENERAL AUTHORIZATION:

The General Manager is authorized to construct, or have constructed, any service connection requested by a Local Agency, which, in the opinion of the General Manager, should be authorized and which is not specifically precluded by resolution of the Board; subject to the terms and conditions deemed reasonable and proper, and which shall include the following:

- (A) The IEUA shall cause a service connection to be constructed pursuant to a written request by a Local Agency in accordance with plans and specifications approved by the General Manager and by an authorized representative of the Local Agency.

- (B) The service connection shall include the facilities for diversion of water from Metropolitan's system and for delivery of such water into the pipeline distribution system of IEUA or of IEUA's Local Agency. The service connection up to and including the fitting connecting with the pipeline through which IEUA will receive water delivered through the service connection, which shall include metering instruments and a cabinet therefor, shall be the property of Metropolitan and shall be operated, maintained and controlled by Metropolitan.
- (C) All service connections shall be installed at the sole expense of the Local Agency. IEUA shall furnish the Local Agency with an estimated cost of the service connection. The Local Agency shall deposit with IEUA the amount of such estimate prior to the start of construction. Any difference between the deposit and the actual cost shall be refunded to the Local Agency, if in excess of actual cost, or if the cost of the connection exceeds the estimate, the Local Agency shall be required to pay the difference.
- (D) Prior to the release of water by Metropolitan into the pipeline distribution system of IEUA or of IEUA's Local Agency, the Local Agency shall install its own flow control device or devices as a means of maintaining uniform flow. The flow control device shall be of a type approved by the General Manager and shall be accessible to and available for operation by representatives of IEUA when necessary. Tampering of the Local Agency's flow control device to take water at times not agreed upon with IEUA is forbidden under penalty of disconnection.
- (E) The number, design, and location of all service connections, meters, and the charges to be made therefore shall be as established by the Board of IEUA. Before any service connection shall be installed, the Local Agency desiring such connection shall execute an application on the form provided by IEUA and file the same with IEUA together with any and all deposits required, in accordance with IEUA rules and regulations as may be amended from time to time.

~~(E)~~

SECTION 202 - DISCONTINUANCE OF SERVICE:

- (A) A Local Agency's water service may be discontinued if a bill is not paid within twenty-five (25) days after the date of billing. The Board of Directors, in its discretion and upon such other conditions as it may prescribe after giving the Local Agency a reasonable opportunity to be heard, may order the termination of service to such Local Agency until all delinquent payments, including additional charges, are made to IEUA.
- (B) Whenever notice is given by IEUA to a Local Agency to discontinue service, the water may be shut off and the meter removed at the option of IEUA.
- (C) A Local Agency may have its water service discontinued by notifying IEUA thirty (30) days in advance of the date of discontinuance. The Local Agency shall be required to pay all water charges until the date of discontinuance.

- (D) If a Local Agency requests water service be restored, the meter shall be reinstalled at the sole expense of the Local Agency. If a Local Agency requests service be reinstated within a twenty-four (24) month period after discontinuance, the Local Agency shall be required to pay IEUA all outstanding charges up to the time of discontinuance.

SECTION 203 - INTERFERENCE BY LOCAL AGENCIES:

No Local Agency shall take or draw water from any water line or pipe of IEUA without paying the established charges therefore. Any Local Agency interference constitutes a violation of the Ordinance and is grounds for discontinuance of service.

SECTION 204 – EFFECTIVE DATE:

Upon the effective date of this Ordinance No. ~~103~~104, Ordinance No. ~~100~~103, including any amendments thereto, shall be repealed and superseded by this Ordinance. This Ordinance shall be in full force and effect immediately following its passage, approval, and publication, as provided by law.

ADOPTED, this ~~18th~~15th of June, ~~2014~~2016.

Terry Catlin
President of the Inland Empire
Utilities Agency* and of the Board of
Directors thereof

ATTEST:

Steven J. Elie
Secretary of the Inland Empire Utilities
Agency* and the Board of Directors thereof

*A Municipal Water District

STATE OF CALIFORNIA)
)SS
COUNTY OF SAN BERNARDINO)

I, Steven J. Elie, Secretary/Treasurer of the Inland Empire Utilities Agency*, DO
HEREBY CERTIFY that the forgoing Ordinance being No. ~~103~~104, was adopted at a regular
meeting on ~~May 20, June 15, 2015~~2016, of said Agency by the following vote:

AYES: ~~Hall, Elie, Camacho, Koopman, Catlin~~

NOES: None

ABSTAIN: None

ABSENT: None

Steven J. Elie
Secretary/Treasurer

(SEAL)

**INFORMATION
ITEM**

50

Engineering and Construction Management Project Updates May 2016

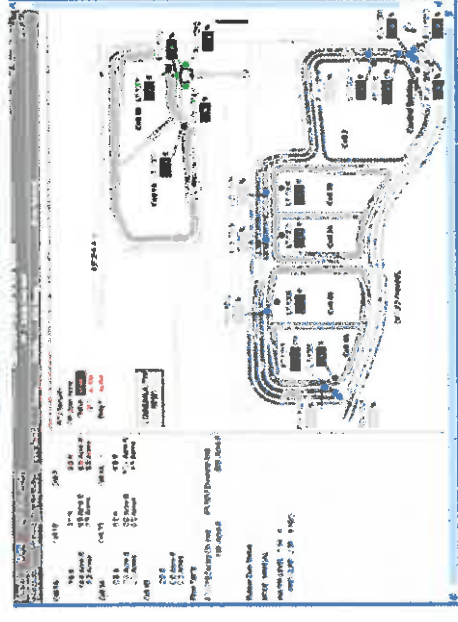


EN14047 - GWR and RW SCADA Control Upgrades

- Contractor: Trimax Systems, Inc.
- Total Project Budget: \$932 K
- Scope of Work: Replace existing electronics and upgrade PLC controls at basins
- Anticipated Complete: January 2017
- Percent Complete: 5%
- Current Activities:
 - Award construction contract to Trimax
- Focus Points:
 - Finalize contract award
 - Coordinate pre-construction meeting



GWR Overview Screen



RP-3 Basin Overview Screen

RA14003 - Receiving Pit and Drainage

- Contractor: TBD
- Total Project Budget: \$375 K
- Scope of Work: Install a new sump pumping system at the basement level of the IERCF receiving area
- Anticipated Completion: July 2016
- Percent Complete: 0% (Bid and Award)
- Current Activities:
 - Agency staff preparing final contract documents in preparation for bids
- Focus Points:
 - Project will be advertised to pre-qualified Minor Construction Contractors



Location of the proposed basement sump

EN14019 – RP-1 Headworks Primary and Secondary Upgrades

- Engineering Consultant: RMC Water and Environment
- Current Contract (Design): \$723 K
- Total Project Budget: \$10.5 M
- Scope of Work: Upgrade deteriorated headworks, upgrade Plant 3 scum system, and install bypass for System C flow meter
- Current Activities:
 - RMC preparing the Preliminary Design Report
- Contract Completion: November 2017
- Percent Complete: 10%
- Focus Point:
 - Agency review Preliminary Design Report



Scum Pump Location

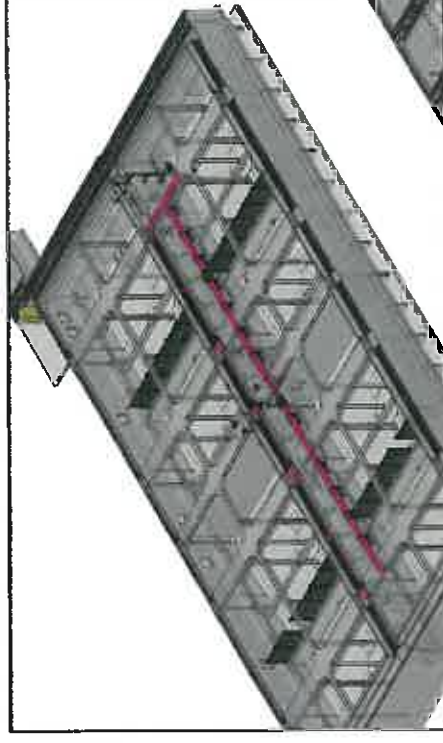


System C Flow Meter

EN16024 – RP-1 Mixed Liquor Return Pumps

Engineering Consultant: RMC Water and Environment

- Current Contract (Design): \$468 K
- Total Project Budget: \$4 M
- Scope of Work: Install six (6) Mixed Liquor Return Pumps/VFDs and flowmeter in the Aeration Basins
- Current Activities:
 - Finalize the Project Management Plan and proceed with 85% design
 - New Scope
 - Aeration Panel Repairs, Project No. EN17040
- Contract Completion: December 2017
- Percent Complete: 70%
- Focus Point:
 - Prequalify the construction contractors on May 30, 2016
 - Add aeration plan repairs to Construction Plan



Aeration Basin – 3D Design

EN13018 – Montclair Diversion Structure Improvements

- Contractor: J. F. Shea
- Current Contract: \$558 K
- Total Project Budget: \$3 M
- Scope of Work: Install three remotely operated electric actuated stainless steel slide gates and upgrade the metering station
- Current Activities:
 - Coordination of shutdown procedures
 - Verified existing gate dimensions
- Contract Completion: July 2016
- Percent Complete: 85%
- Focus Point:
 - Contractor to resubmit SCADA programming based on IEUA comments



Verifying Existing Gate Dimensions



Existing Gate

▪ Witness Control Panel Factory Acceptance Test

**AGENCY
REPRESENTATIVES'
REPORTS**

6A



S A W P A

SANTA ANA WATERSHED PROJECT AUTHORITY

11615 Sterling Avenue, Riverside, California 92503 • (951) 354-4220

SPECIAL COMMISSION MEETING TUESDAY, MAY 10, 2016 – 9:00 A.M.

AGENDA

1. CALL TO ORDER/PLEDGE OF ALLEGIANCE (Thomas P. Evans, Chair)

2. ROLL CALL

3. PUBLIC COMMENTS

Members of the public may address the Commission on items within the jurisdiction of the Commission; however, no action may be taken on an item not appearing on the agenda unless the action is otherwise authorized by Government Code §54954.2(b).

4. WORKSHOP DISCUSSION AGENDA

A. STRATEGIC ASSESSMENT – One Water One Watershed (OWOW)

Presenter: Paul Brown, Paul Redvers Brown, Inc.

5. ADJOURNMENT

PLEASE NOTE:

Americans with Disabilities Act: Meeting rooms are wheelchair accessible. If you require any special disability related accommodations to participate in this meeting, please contact (951) 354-4220 or kberry@sawpa.org. 48-hour notification prior to the meeting will enable staff to make reasonable arrangements to ensure accessibility for this meeting. Requests should specify the nature of the disability and the type of accommodation requested.

Materials related to an item on this agenda submitted to the Commission after distribution of the agenda packet are available for public inspection during normal business hours at the SAWPA office, 11615 Sterling Avenue, Riverside, and available at www.sawpa.org, subject to staff's ability to post documents prior to the meeting.

Declaration of Posting

I, Kelly Berry, Clerk of the Board of the Santa Ana Watershed Project Authority declare that on Thursday, April 28, 2016, a copy of this agenda has been uploaded to the SAWPA website at www.sawpa.org and posted in SAWPA's office at 11615 Sterling Avenue, Riverside, California.

/s/

Kelly Berry, CMC

2016 - SAWPA Commission Meetings/Events

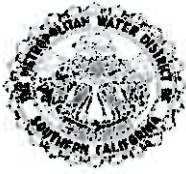
First and Third Tuesday of the Month

(NOTE: Unless otherwise noted, all Commission Workshops/Meetings begin at 9:30 a.m., and are held at SAWPA.)

January 1/5/16 Commission Workshop 1/19/16 Regular Commission Meeting	February 2/2/16 Commission Workshop—OCSD Facilities Tour 2/16/16 Regular Commission Meeting
March 3/1/16 Commission Workshop 3/15/16 Regular Commission Meeting	April 4/5/16 Commission Workshop 4/19/16 Regular Commission Meeting 4/28/16 Special Commission Workshop [10:00 a.m.]
May 5/3/16 Commission Workshop [Cancelled] 5/3 – 5/6/16 ACWA Spring Conference, Monterey 5/10/16 Special Commission Workshop [9:00 a.m.] 5/17/16 Regular Commission Meeting	June 6/7/16 Commission Workshop 6/21/16 Regular Commission Meeting
July 7/5/16 Commission Workshop 7/19/16 Regular Commission Meeting	August 8/2/16 Commission Workshop 8/16/16 Regular Commission Meeting
September 9/6/16 Commission Workshop 9/20/16 Regular Commission Meeting	October 10/4/16 Commission Workshop 10/18/16 Regular Commission Meeting
November 11/1/16 Commission Workshop 11/29 – 12/2/16 ACWA Fall Conference, Anaheim 11/15/16 Regular Commission Meeting	December 12/6/16 Commission Workshop 12/20/16 Regular Commission Meeting

**AGENCY
REPRESENTATIVES'
REPORTS**

6B



THE METROPOLITAN WATER DISTRICT
OF SOUTHERN CALIFORNIA

MWD MEETING AGENDA

REVISED AGENDA (2)

Regular Board Meeting

May 10, 2016

12:00 p.m. – Board Room

Tuesday, May 10, 2016 Meeting Schedule		
9:00 a.m.	Rm. 2-145	L&C
10:00 a.m.	Rm. 2-456	OP&T
10:30 a.m.	Rm. 2-145	RP&AM
12:00 p.m.	Board Room	Board Meeting

MWD Headquarters Building

• 700 N. Alameda Street

• Los Angeles, CA 90012

1. Call to Order

- (a) Invocation: Manju Nair, Assistant Engineer II, Engineering Services Group
- (b) Pledge of Allegiance: Director Russell Lefevre

2. Roll Call

3. Determination of a Quorum

- 4. Opportunity for members of the public to address the Board on matters within the Board's jurisdiction. (As required by Gov. Code § 54954.3(a))

5. OTHER MATTERS

- A. Approval of the Minutes of the Meeting for April 12, 2016. (A copy has been mailed to each Director)
Any additions, corrections, or omissions
- B. Report on Directors' events attended at Metropolitan expense for month of April
- C. Approve committee assignments

- D. Chairman's Monthly Activity Report
- E. Approve 30-day leave of absence for Director Larry Dick, commencing May 5, 2016

6. DEPARTMENT HEADS' REPORTS

- A. General Manager's summary of Metropolitan's activities for the month of April
- B. General Counsel's summary of Legal Department activities for the month of April
- C. General Auditor's summary of activities for the month of April
- D. Ethics Officer's summary of activities for the month of April

7. CONSENT CALENDAR ITEMS — ACTION

- 7-1** Appropriate \$800,000; and authorize design of chemical system upgrades at the F. E. Weymouth Water Treatment Plant (Approp. 15477). (E&O)

Recommendation:

Option #1:

Adopt the CEQA determination that the proposed action has been previously addressed in the certified 2015 Final EIR, Findings of Fact, Statement of Overriding Considerations, and the Mitigation Monitoring and Reporting Program, and that no further environmental analysis or documentation is required, and

- a. **Appropriate \$800,000; and**
- b. **Authorize design of chlorination system upgrades at the Weymouth plant.**

- 7-2** Appropriate \$400,000; and award \$268,000 contract to First Responder Fire Protection Corp. to install a fire protection system in the La Verne Shops (Approp. 15395). (E&O)

Recommendation:

Option #1:

Adopt the CEQA determination that the proposed action has been previously addressed in the 2005 Final EIR, Findings, Statement of Overriding Considerations, and Mitigation Monitoring and Reporting Program, and that no further environmental analysis or documentation is required, and

- a. Appropriate \$400,000; and**
- b. Award \$268,000 contract to First Responder Fire Protection Corp. to install a fire protection system at the La Verne Shops.**

- 7-3** Appropriate \$600,000; and authorize design of drainage and erosion control improvements at Garvey Reservoir (Approp. 15480). (E&O)

Recommendation:

Option #1:

Adopt the CEQA determination that the proposed action is categorically exempt from CEQA and is not subject to CEQA, and

- a. Appropriate \$600,000; and**
- b. Authorize design of drainage and erosion control improvements at Garvey Reservoir.**

- 7-4** Authorize granting a permanent easement to the city of San Jacinto on Metropolitan-owned property located in Riverside County. (RP&AM)

Recommendation:

Option #1:

Adopt the CEQA determination that the proposed action is categorically exempt, and

Authorize the General Manager to grant a permanent easement to the city of San Jacinto.

- 7-5** Redesignation of the Special Real Property and Asset Management Committee as a Board Standing Committee. (L&C)

Recommendation:

Option #1:

Adopt the CEQA determination that the proposed action is not defined as a project and is not subject to CEQA, and

Approve the changes to the Administrative Code set forth in Attachment 2 to the board letter to establish the Real Property and Asset Management Committee as a board standing committee.

(END OF CONSENT CALENDAR)

8. OTHER BOARD ITEMS — ACTION

- 8-1** Adopt resolution to continue Metropolitan's Water Standby Charge for fiscal year 2016/17. (F&I)

Recommendation:

Option #1:

Adopt the CEQA determination that the proposed action is not defined as a project and is not subject to CEQA, and

Adopt the resolution to continue collecting the Standby Charge for fiscal year 2016/17.

- 8-2** Appropriate \$6.7 million; and authorize: (1) preconstruction activities for seismic upgrades and preliminary design of building improvements for Metropolitan's Headquarters Building; and (2) increase of \$3.5 million to an agreement with ABSG Consulting, Inc., for a new not-to-exceed total of \$5.3 million (Approp. 15473). (E&O)

Recommendation:

Option #1:

Adopt the CEQA determination that the proposed action is categorically exempt, and

- a. Appropriate \$6.7 million;**
- b. Authorize preconstruction activities for seismic upgrades and preliminary design of building improvements for Metropolitan's Headquarters Building; and**
- c. Authorize increase of \$3.5 million to an agreement with ABSG Consulting, Inc., for a new not-to-exceed total of \$5.3 million.**

Revised **8-3** Appropriate \$2.12 million; award \$708,000 contract to Pacific Winds Building, Inc. for electrical upgrades at the East Dam area of Diamond Valley Lake; and authorize: (1) \$540,000 agreement with Southern California Edison (SCE); and (2) granting of permanent easements to SCE; and (3) construction of a sanitation facility at the East Marina (Approps. 15334 and 15480). (E&O)

Revised **Recommendation:**

Option #1:

Adopt the CEQA determination that the proposed actions have been previously addressed and that no further environmental analysis or documentation is required, and

- a. Appropriate \$2.12 million;**
- b. Award \$708,000 contract to Pacific Winds Building, Inc. for electrical upgrades at the DVL East Dam area;**
- c. Authorize \$540,000 agreement with Southern California Edison to extend electrical service to the East Dam area;**
- d. Authorize the General Manager to grant permanent easements to Southern California Edison; and**
- e. Authorize construction of a sanitation facility at the DVL East Marina.**

8-4 Authorize continuing participation in pilot program to fund water use efficiency measures for the Colorado River and approve payment of up to \$1 million. (WP&S)

Recommendation:

Option #1:

Adopt the CEQA determination that the proposed action is not defined as a project and is not subject to CEQA, and

- a. Authorize the General Manager to continue to participate in the pilot program for funding the creation of Colorado River system water through voluntary reductions in use; and**
- b. Approve payment of up to an additional \$1 million for partially funding the pilot program.**

8-5 Declare a "Condition 2 -- Water Supply Alert" effective immediately; do not implement a Water Supply Allocation Plan for 2016/17 and thereby rescind the current "Condition 3 -- Water Supply Allocation". (WP&S)

Added

Recommendation:

Option #1:

Adopt the CEQA determination that the proposed action of moving the Water Supply Condition is not defined as a project under CEQA, and

- a. Declare a "Condition 2 – Water Supply Alert" and rescind the "Condition 3 – Water Supply allocation"; and**
- b. Do not implement the WSAP for 2016/17.**

8-6 **Adopt the 2015 Urban Water Management Plan and resolution for submittal to the State of California. (WP&S)**

Added

Recommendation:

Option #1:

Adopt the CEQA determination that the proposed action is statutorily exempt, and

Adopt the 2015 UWMP and the resolution for submittal to the state of California in order to comply with the Urban Water Management Planning Act in the California Water Code.

8-7 **Approve Metropolitan Water District of Southern California's Salary Schedule pursuant to CalPERS regulations. (OP&T)**

Recommendation:

Option #1:

Adopt the CEQA determination that the proposed action is not defined as a project under CEQA, and

Approve the salary schedule attached to the board letter.

Added

8-8 **Report on *Bradley Wayne Nutt v. Metropolitan Water District of Southern California*, Los Angeles Superior Court Case No, BC550863; and authorize an increase in the maximum amount payable under contract with Atkinson, Andelson, Loya, Ruud & Romo for legal services by \$250,000 to an amount not to exceed \$800,000. (L&C)
[Conference with legal counsel—existing litigation; to be heard in closed session pursuant to Gov. Code Section 54956.9(d)(1)]**

9. BOARD INFORMATION ITEMS

- 9-1 Renewal status of Metropolitan's Property and Casualty Insurance Program. (F&I)
- 9-2 Upcoming Department Head Performance Evaluation Process and Schedule
- 9-3 Update on purchase of property from Delta Wetlands Properties in Contra Costa, San Joaquin, and Solano Counties. (RP&AM)
- 9-4 Report on existing and potential litigation challenging the purchase of property from Delta Wetlands Properties in Contra Costa, San Joaquin, and Solano Counties, including *County of San Joaquin v. Metropolitan Water District of Southern California, et al.*, San Joaquin County Superior Court Case No. STK-CV-UWM-2016-3597; *North Coast Rivers Alliance v. Metropolitan Water District of Southern California, et al.*, Contra Costa County Superior Court Case No. MSN16-0629; and *Pacific Coast Federation of Fishermen's Associations v. Metropolitan Water District of Southern California, et al.*, Solano County Superior Court Case No. FCS046934. (L&C)
[Conference with legal counsel—existing and anticipated litigation; to be heard in closed session pursuant to Gov. Code Sections 54956.9(d)(1) & (d)(2)]

10. FOLLOW-UP ITEMS

11. FUTURE AGENDA ITEMS

12. ADJOURNMENT

NOTE: At the discretion of the Board, all items appearing on this agenda and all committee agendas, whether or not expressly listed for action, may be deliberated and may be subject to action by the Board.

Each agenda item with a committee designation will be considered and a recommendation may be made by one or more committees prior to consideration and final action by the full Board of Directors. The committee designation appears in parentheses at the end of the description of the agenda item e.g., (E&O, F&I). Committee agendas may be obtained from the Board Executive Secretary.

Writings relating to open session agenda items distributed to Directors less than 72 hours prior to a regular meeting are available for public inspection at Metropolitan's Headquarters Building and on Metropolitan's Web site <http://www.mwdh2o.com>.

Requests for a disability related modification or accommodation, including auxiliary aids or services, in order to attend or participate in a meeting should be made to the Board Executive Secretary in advance of the meeting to ensure availability of the requested service or accommodation.

**AGENCY
REPRESENTATIVES'
REPORTS**

6C



Inland Empire Utilities Agency
A MUNICIPAL WATER DISTRICT

Regional Sewerage Program Policy Committee Meeting

AGENDA

Thursday, May 5, 2016

4:30 p.m.

Location

Inland Empire Utilities Agency
6075 Kimball Avenue
Chino, CA 91710

Call to Order and Roll Call

Pledge of Allegiance

Public Comment

- 1. Technical Committee Report – Ryan Shaw**
- 2. Action Item**
 - A. Approval of the April 7, 2016 Meeting Minutes
 - B. Ten-Year Capital Improvement Plan Update
 - C. Water Quality Laboratory Construction Award
 - D. Regional Connection Requests
- 3. Informational Items**
 - A. Regional Contract Amendment
- 4. Receive and File**
 - A. Property Tax Overview
 - B. Pretreatment Committee Minutes
 - C. Building Activity Update
 - D. Recycled Water Distribution – Operations Summary
- 5. Other Business**
 - A. IEUA General Manager's Update
 - B. Committee Member Requested Agenda Items for Next Meeting
 - C. Committee Member Comments
 - D. Next Meeting – June 2, 2016
- 6. Adjournment**

DECLARATION OF POSTING

I, Laura Mantilla, Executive Assistant of the Inland Empire Utilities Agency, A Municipal Water District, hereby certify that a copy of this agenda has been posted by 5:30 p.m. in the foyer at the Agency's main office, 6075 Kimball Avenue, Building A, Chino, CA on Monday, May 2, 2016.


Laura Mantilla

**GENERAL
MANAGER'S
REPORT**

7

Date: May 18, 2016

To: The Honorable Board of Directors

From: P. Joseph Grindstaff, General Manager 

Subject: General Manager's Report Regarding Agency Activities

PLANNING & ENVIRONMENTAL RESOURCES

Drought Summary - Member Agencies versus State Board requirement.

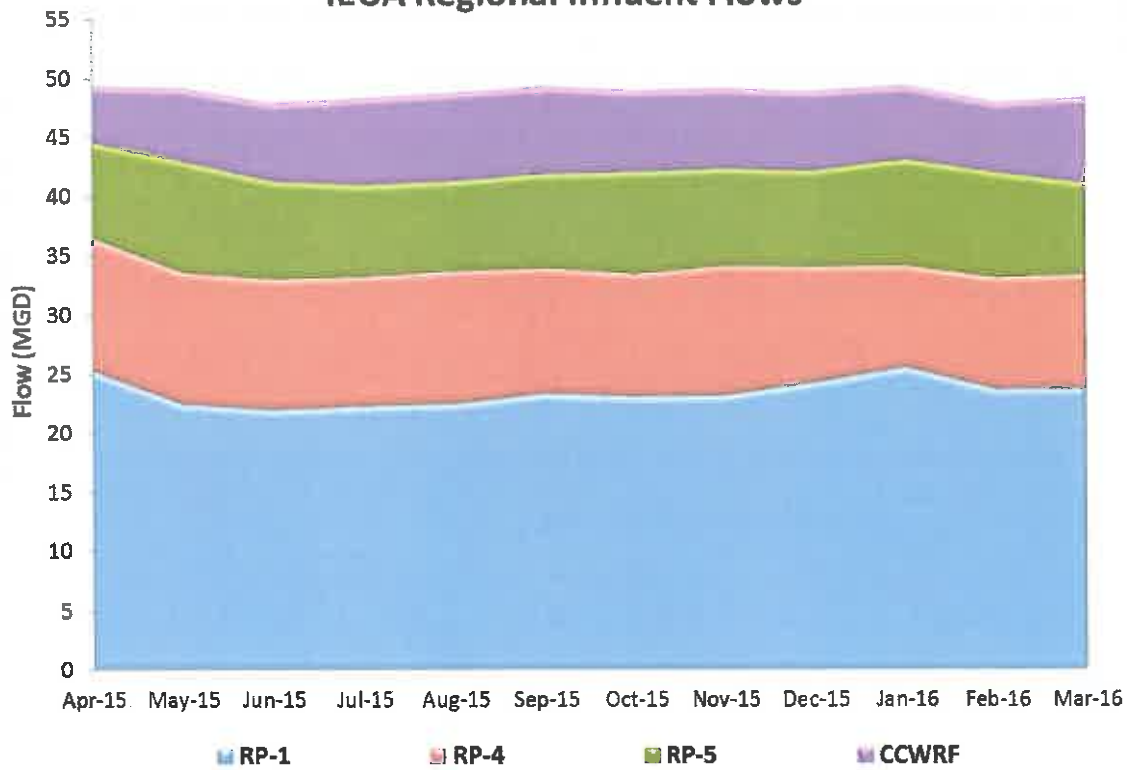
Water Tracker			
Agency	Target Savings	Cumulative Savings (Jun 2015-Mar 2016)	Monthly Savings (Mar 2016)
Chino	24%	19%	21%
Chino Hills	28%	27%	30%
CVWD	32%	25%	28%
FWC	28%	26%	19%
MVWD	24%	25%	25%
Ontario	24%	20%	22%
Upland	36%	36%	31%

Regional Plant influent flows during the month of March 2016 was consistent with the flow received during the previous months. Agency-wide average daily influent flow for the month of March 2016 was approximately 48.3 million gallons per day.

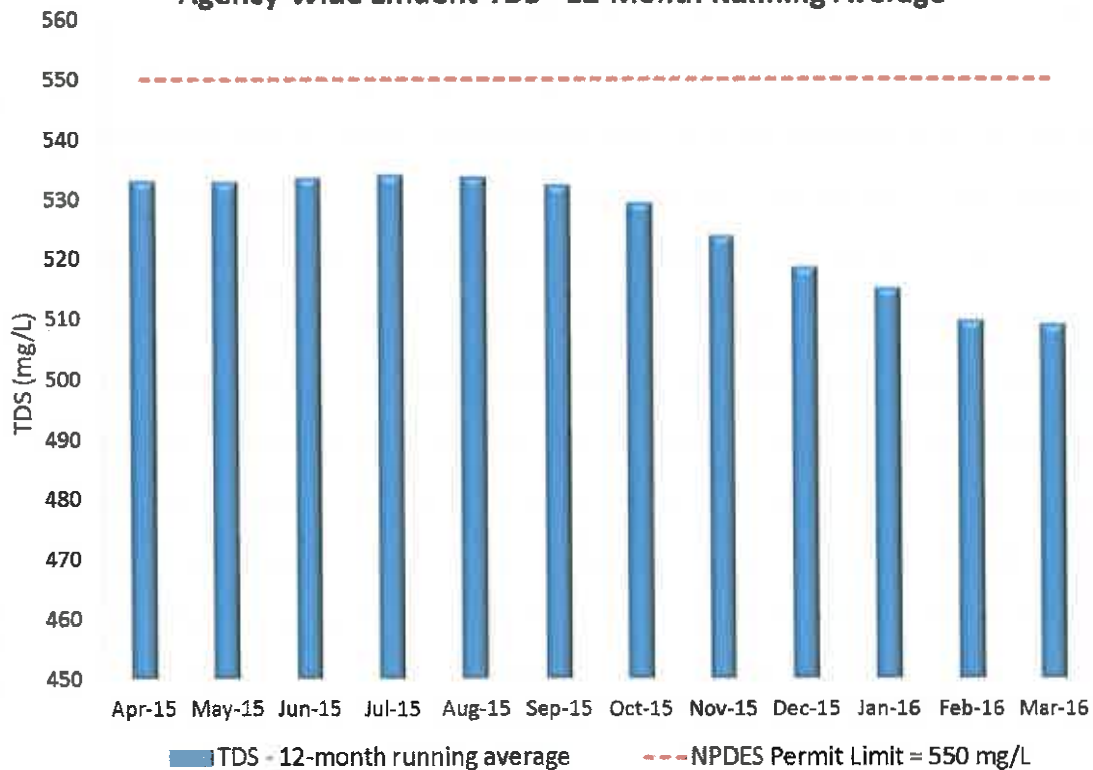
The National Pollutant Discharge Elimination System (NPDES) permit effluent limitation for the Agency-wide 12- month flow-weighted running average of Total Inorganic Nitrogen (TIN) is 8 mg/L. The 12-month running average TIN value for March 2016 was 5.6 mg/L.

The NPDES permit effluent limitation for the Agency-wide 12- month flow-weighted running average of Total Dissolved Solids (TDS) is 550 mg/L. The 12-month running average TDS value for March 2016 was 509 mg/L.

IEUA Regional Influent Flows



Agency-Wide Effluent TDS - 12-Month Running Average



The recently adopted NPDES permit incorporated effluent limits for dioxins (including dioxin-like compounds known as PCDD/PCDF congeners). In November and December 2015, IEUA self-reported exceedances of the average monthly (0.014 pg/L) and maximum daily (0.028 pg/L) limits. After some research, IEUA presented the Regional Board with a toxicity equivalency quotient (TEQ) calculation that took into account lab results that fell below minimum levels/reporting limits of the lab method to be calculated as zeroes and bioaccumulation in fish flesh. The Regional Board is currently looking into our proposal and preliminary findings are favorable. If calculating dioxin-TEQ by excluding values below the MLs and/or reporting limits (RLs), but not incorporating the bioaccumulation factor, only the December 2015 sample would be in exceedance of the effluent limitations. In April 2016, the IEUA laboratory manager requested the December 2015 sample be re-extracted and re-analyzed for the congeners. The new analysis results show that all the congener values were below the RL and therefore the TEQ is 0.0 pg/L. These results were submitted to the Regional Board on April 21 and their recommendation on how we should proceed is still pending.

On April 13, 2016, IEUA settled with AQMD for \$1,500 the Notice of Violation (NOV) for the flow exceedance at RP-5. This had resulted from their failure to act on our request to expand capacity to 15 MGD more than 2 years previously.

On April 29, 2016, IEUA submitted to AQMD the RP-5 SHF flare source test report. The source test was performed on March 30, 2016, consistent with the short variance conditions, to demonstrate compliance.

OPERATIONS UPDATE

March 2016, Regional Plant sodium hypochlorite consumption averaged 116 gallons per million gallons of treated flows.

IERCF UPDATE

Operational Comments – Facility throughput for April averaged approximately 94% of permitted capacity at an average of 403 tons per day of biosolids and 150 tons per day of amendments (based on a 30 day month). The facility is operating well with no violations or lost time incidents.

Facility Throughput

POTW	Wet Tons Month	Wet Tons Year to Date
LACSD	6,844.15	28,251.76
IEUA	5,237.93	21,482.84
OCSD	0	0
TOTAL	12,082.08	49,734.60

Compost Sales –IERCA sales in April were greater than last year, displaying an increase in spring compost demand. We predict May to continue in this trend and surpass the previous year. Compost inventory in the storage facility is 11,425 cubic yards.

General Manager's Report Regarding Agency Activities

May 18, 2016

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Monthly Sales Summary April 2016

Month	Product	Cubic Yards	Avg. \$/CYD	Total \$
April	Premium	22,583.08	\$1.60	\$36,058.06
	Base	4,055.64	\$0.22	\$887.81
Total		26,638.72	\$1.39	\$36,945.87

YTD Sales Summary through April 2016

Month	Total Cyds 2015/2016	Total Cyds 2014/2015	Total \$ 2015/2016	Total \$ 2014/2015
July	21,389.25	23,882.49	\$34,657.16	\$39,474.57
August	16,919.04	25,689.52	\$30,461.07	\$27,575.69
September	16,750.02	33,184.26	\$24,655.71	\$37,732.49
October	27,394.30	31,487.37	\$33,401.74	\$31,552.56
November	29,056.62	22,348.31	\$25,280.90	\$32,957.02
December	17,586.64	18,272.61	\$28,476.77	\$23,528.45
January	14,298.49	14,388.67	\$22,085.28	\$38,227.06
February	12,418.86	15,105.97	\$28,926.15	\$37,979.47
March	16,784.45	22,059.88	\$33,493.58	\$56,897.95
April	26,638.72	24,675.28	\$36,945.87	\$47,085.22
Total	199,236.39	231,094.36	\$298,384.23	\$373,010.48
Average	19,923.64	23,109.44	\$29,838.42	\$37,301.05

Groundwater Recharge – March 2016

During March 2016, recycled water recharge totaled 858 acre-feet. There was no imported water delivered. The capture of dry weather creek flows totaled 70 acre-feet. There were three rain events during this period that generated a total of approximately 1,449 acre-feet of captured storm water. A detailed summary of the Chino Basin Groundwater Recharge Operations can be found at <http://www.ieua.org/category/reports/groundwater-recharge-reports>.

Groundwater Recharge – April 2016 (Preliminary)

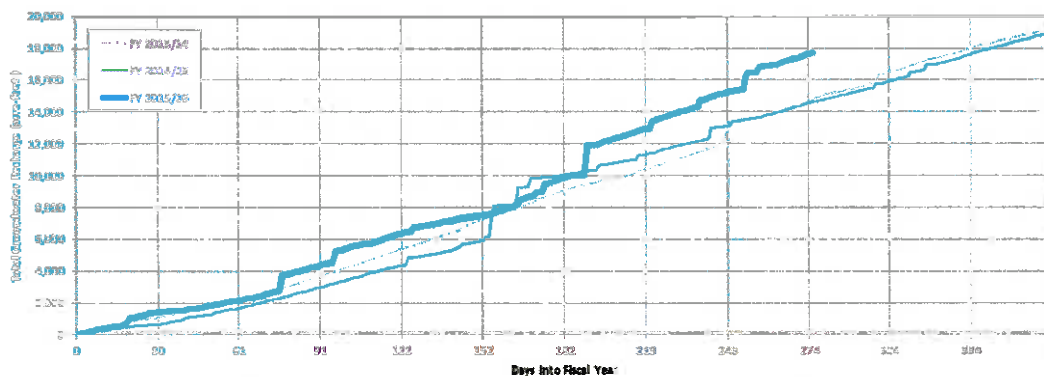
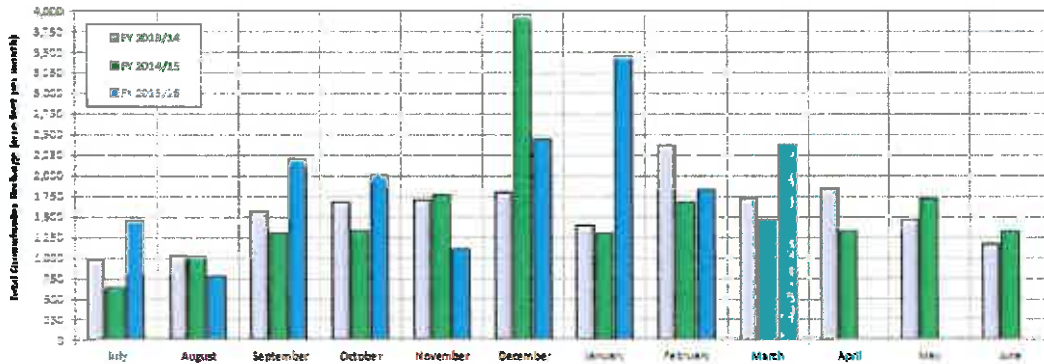
During April 2016, recycled water recharge totaled 1,162 acre-feet. There was no imported water delivered. The capture of dry weather creek flows totaled 54 acre-feet. There were two rain events during this period that generated a total of approximately 261 acre-feet of captured storm water. A detailed summary of the Chino Basin Groundwater Recharge Operations can be found at <http://www.ieua.org/category/reports/groundwater-recharge-reports>.

General Manager's Report Regarding Agency Activities

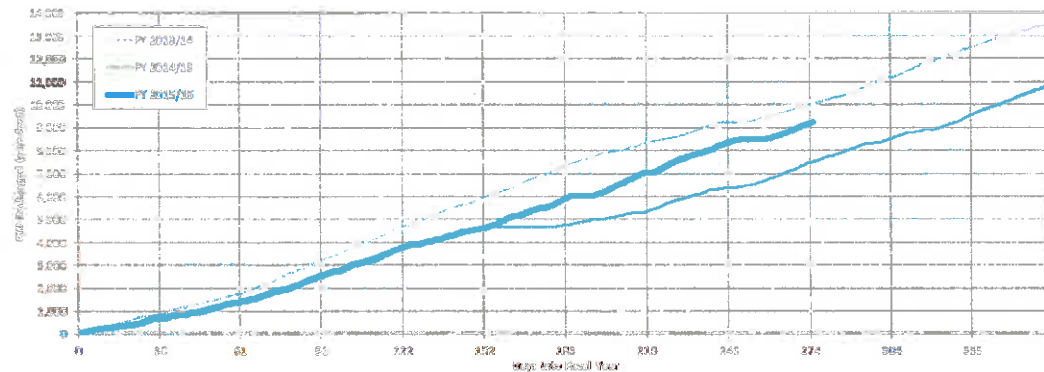
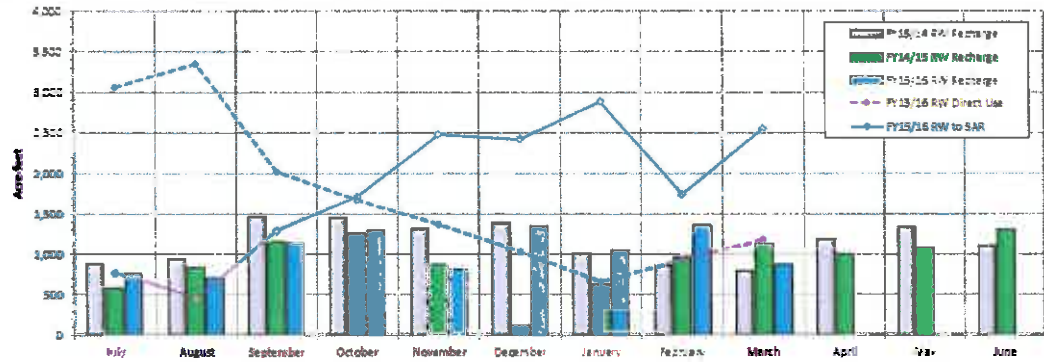
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Total Groundwater Recharge – March 2016



Recycled Water Delivered to Groundwater Recharge – March 2016

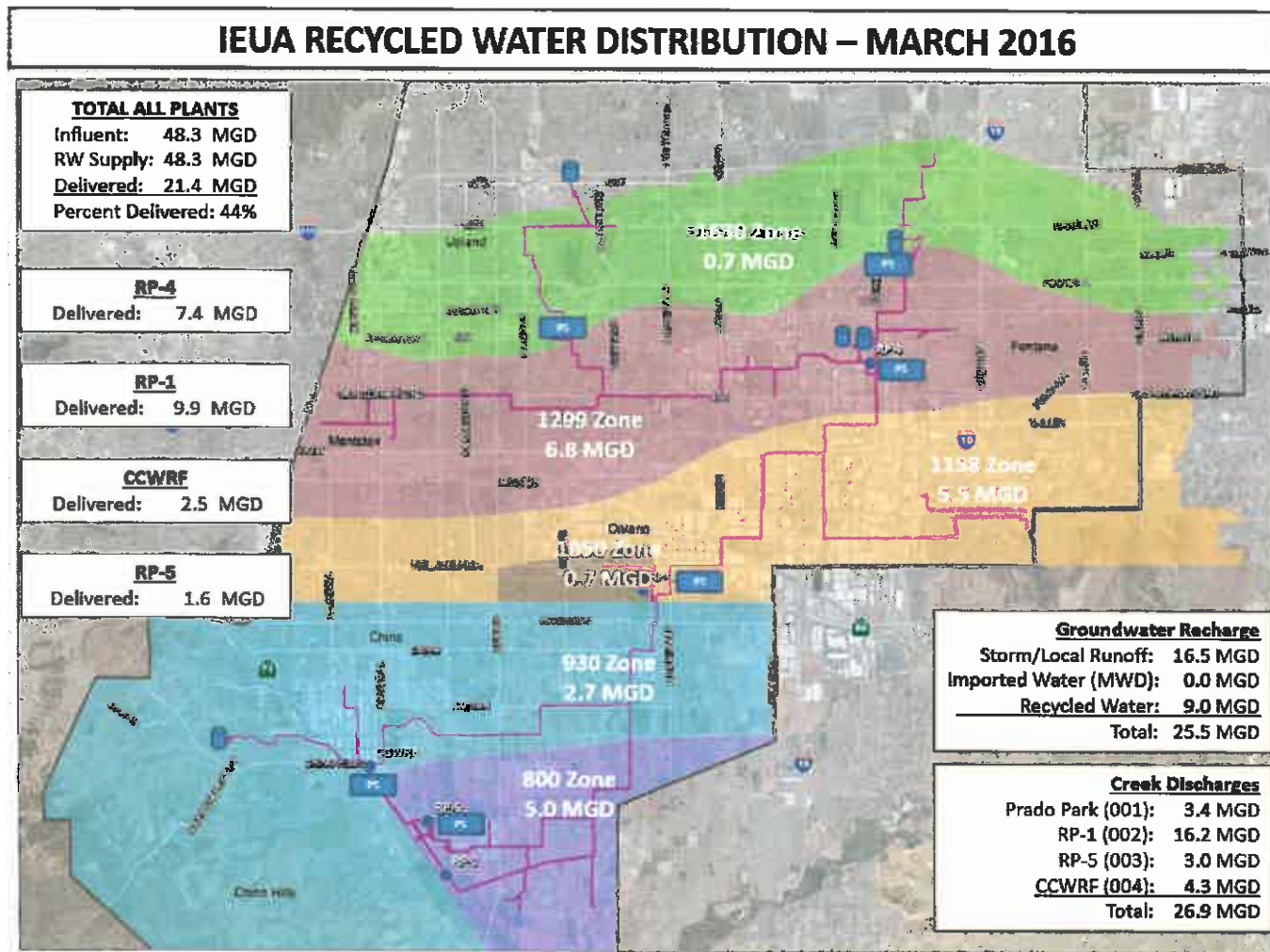


RW Distribution – March 2016

During March 2016, 44% (21.4 MGD) of IEUA recycled water supply (48.3 MGD) was delivered into the distribution system for both direct use customers (12.4 MGD) and groundwater recharge (9.0 MGD). Plant discharge to creeks feeding the Santa Ana River averaged 26.9 MGD.

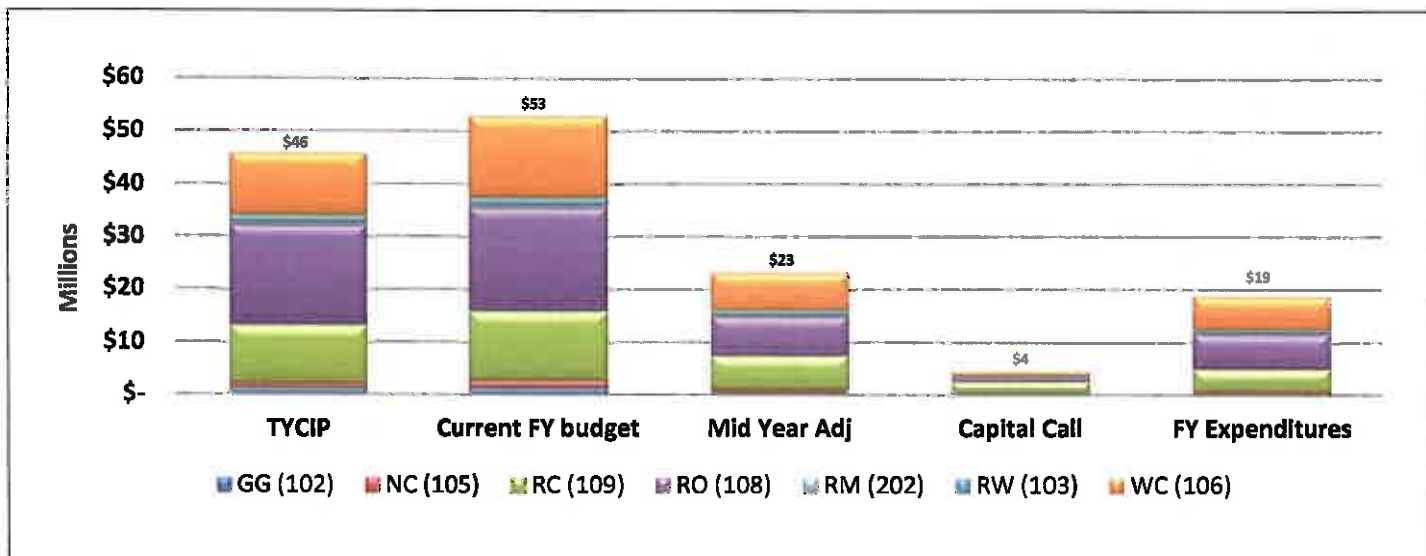
RW Distribution – April 2016 (Preliminary)

During April 2016, 64% (30.5 MGD) of IEUA recycled water supply (47.8 MGD) was delivered into the distribution system for both direct use customers (17.9 MGD) and groundwater recharge (12.6 MGD). Plant discharge to creeks feeding the Santa Ana River averaged 17.3 MGD.



ENGINEERING & CONSTRUCTION MANAGEMENT PROJECT STATUS SUMMARY

Engineering and Construction Management's FY 2015/16 budget is \$52,965,124. As of April 30, staff has projected to spend \$23,240,758 during FY 2015/16 of which \$18,791,208 has been spent. The following chart summarizes the Engineering and Construction Management FY Budget status update.



Currently, thirteen projects have over \$500,000 of FY budget that will not be expended this FY. These thirteen projects represent \$19,990,060 of the variance between the current FY budget and the projections. The reasons for their variances are as follows:

Project #	Description	FY 15/16 Forecast	FY 15/16 Budget	Variance (FY Budget - FY Forecast)	Reason for Variance
EN15044	SBCFCD NRW Easement	267	514,930	514,662	San Bernardino County has not completed the appraisal report reviews.
EN06025	Wineville Ext RW Pipeline Seg A	1,125,355	2,135,354	1,009,999	The project finished under budget.
EN13001	San Sevaine Basin Improvements	413,653	3,500,000	3,086,347	The planned schedule did not account for a lengthy pre-design effort. This pushed all of the construction cost to the next fiscal year.
EN13045	Wineville RW Extension Segment B	1,659,078	2,506,256	847,178	The project finished under budget.
EN13048	RP-1 Power System Upgrades	250,978	1,000,000	749,022	An extensive analysis of the RP-1 existing load was required prior to launching the design. The majority of the budget (design and construction) will be consumed in FY 2016/17.
EN14047	GWR and RW SCADA Control Upgrades	275,951	816,265	540,314	The planned schedule did not account for a lengthy pre-design effort. This pushed all of the construction cost to FY 2016/17.
EN15043	SBCFCD Recycled Water Easement	316	567,298	566,982	San Bernardino County has not completed the appraisal report reviews.
EN13016	SCADA Enterprise System	3,403,940	4,297,500	893,560	The project finished under budget.
EN16021	Chino Basin Groundwater Supply Wells and Raw Water Pipelines	121,017	9,000,000	8,878,983	This project is part of a contractual agreement with CDA that requires full payment up front before any project components are completed (e.g., design, construction, etc.). As a result, \$9M was budgeted prior to FY 2015/16, as the project was expected to begin early in the fiscal year. Due to delays in the agreements with the Regional Water Quality Control Board and private parties involved in litigation surrounding the project, the project start date has been pushed back, resulting in the lack of capital spent on the project this FY.
EN11031	RP-5 Flow Equalization and Effluent Monitoring	136,320	1,255,264	1,118,943	The project scope was modified to meet Agency operating requirements causing a schedule delay.
EN14018	RP-4 Disinfection Facility Improvements	258,848	759,516	500,668	Additional scope to rehab the south side of the existing building to allow utilization of a new office area, add new toilets, and break rooms impacted the completion of the design schedule.
EN16024	RP-1 Mixed Liquor Return Pumps	494,900	1,000,000	505,100	The project evaluation period was extended based on review of project expectations and Stakeholder requirements. This reduced the funding needed for this year and moved expenditures into FY 2016/17.
EN16025	RP-1 Expansion PDR	221,702	1,000,000	778,298	The original budget assumed 50/50 cost split between RP-1 & RP-5. Actual cost split is 20/80. Remaining \$850,000 will be transferred to EN16028.
		8,362,323	28,362,383	19,990,060	

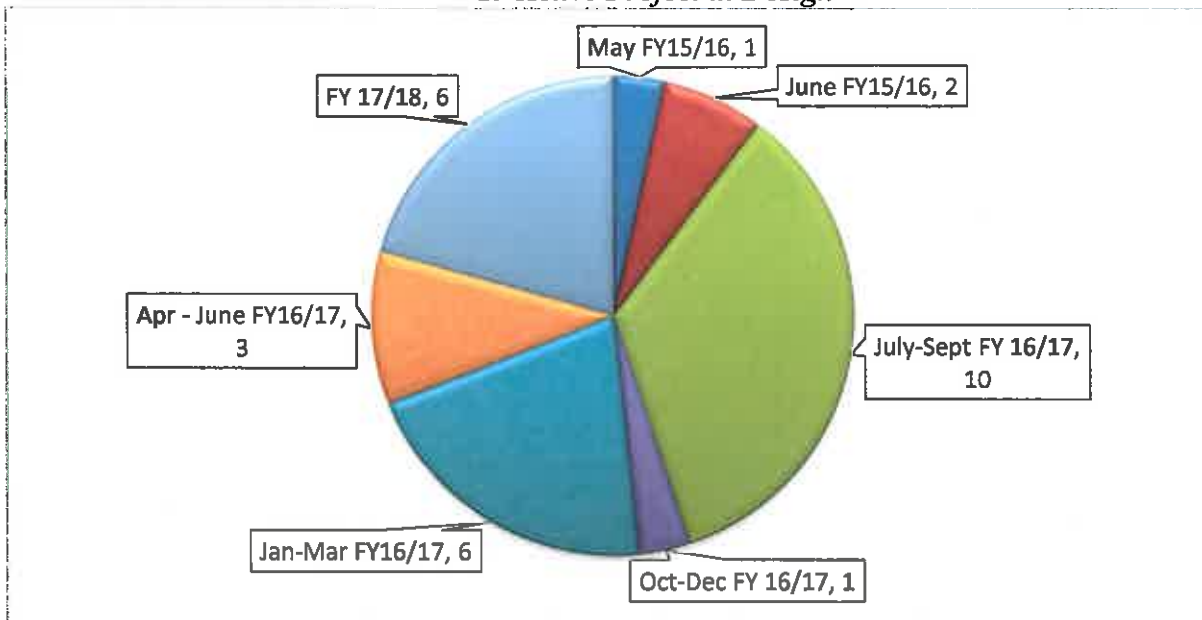
General Manager's Report Regarding Agency Activities

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Active Projects in Design

29 Active Project in Design



1 Project Currently in Bid & Award in May of FY 2015/16

- EN15008.00 Water Quality Laboratory

2 Projects in Bid & Award in June of FY 2015/16

- EN16132.00 Magnolia Channel Spillway
- EN16068.00 Main Office Permit Office

10 Projects in Bid & Award in July-September of FY 2016/17

- EN16051.00 RP-1 Utility Water Flow Meter
- EN16071.00 San Bernardino Avenue Gravity Sewer
- EN16055.00 Headquarters Back Up Generator
- EN16024.00 RP-1 Mixed Liquor Return Pumps
- EN13001.00 San Sevaine Basin Improvements
- EN17040.00 RP-1 Aeration Basin Panel Repairs
- EN16047.00 HQ Parking Lot FY15/16
- EN16049.00 Conference Rooms Audio Visual Upgrades
- EN14018.00 RP-4 Disinfection Facility Improvements
- EN16070.00 Agency Wide Pumps Efficiencies Improvements

1 Project in Bid & Award in October - December of FY 2016/17

- EN16016.02 Turner Diversion Manhole Repair

6 Projects in Bid & Award in January - March of FY 2016/17

- EN11031.00 RP-5 Flow Equalization and Effluent Monitoring
- EN14019.00 RP-1 Headworks Primary and Secondary Upgrades
- EN16034.00 RW Pressure Sustaining Valve Installation FY 15/16
- EN22002.00 NRW East End Flowmeter Replacement
- RW15004.00 Lower Day Basin RMPU Improvements
- EN15013.00 RP-1 TWAS and Primary Effluent Piping Replacement 2014

3 Projects in Bid & Award in April - June of FY 2016/17

- EN11039.00 TP-1 Disinfection Pump Improvements
- EN14043.00 RP-5 RW Pipeline Bottleneck
- EN13048.00 RP-1 Power System Upgrades

General Manager's Report Regarding Agency Activities
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Active Projects in Construction

Project No.	Project Title	Description	Total Project Budget (\$)	Total Cost to Date (\$)	Ex Budget 2016 (\$)	FY Cost (to 4/30) (\$)	Original Contract (\$)	Total Project ED's (\$)	Total Project ED's (%)	% Project Complete	Original Planned Completion Date	Current Completion Date
1	EN08023.06 RP1 Primary Clarifier 2015 Rehab Proj	Continuation of the required rehab work within the Primary Clarifiers	1,225,000	1,010,303	1,210,000	988,628	630,100	254,568	40.40%	100%	12/31/2016	4/28/2016
2	EN12014.00 East Avenue 1630 E RWP Relocation	Relocation of 200 LF of 36 inch RW PL on East Avenue in Rancho	890,108	489,854	635,261	317,909	508,134	10,733	0.00%	55%	8/30/2015	10/14/2016
3	EN13016.00 SCADA Enterprise System	Design/construct SCADA system that enables remote control of facilities	10,407,046	4,520,561	4,297,500	3,023,594	2,499,275	44,230	1.77%	80%	2/15/2016	5/04/2016
4	EN13018.00 Montclair Diversion Structure Improvements	Rehabilitate the gates and install SCADA for remote operations	3,030,095	527,540	1,203,874	213,307	557,565	0	0.00%	95%	7/01/2016	7/15/2016
5	EN13045.00 Wineville RW Extension Segment B	Install 2.8 miles of 30" RWP & to the associated appurtenances	11,880,300	10,738,704	2,506,256	1,647,078	8,900,000	205,503	2.31%	80%	10/15/2015	12/15/2015
6	EN13056.01 RP-4 MCC - Power Center Five Roof Access	Design, fabricate, install stairs for rooftop & install of gantry platform	160,000	53,616	90,556	53,264	188,000	0	0.00%	80%	7/18/2016	7/18/2016
7	EN14038.00 CB20 Noise Mitigation Measures	Design and Build the sound mitigating enclosure	160,000	143,633	109,328	93,217	146,478	0	0.00%	100%	8/31/2015	4/08/2016
8	EN15030.02 San Bernardino Lift Station Fiber Optic Vault Upgrades	Install traffic rated manhole covers & modify existing pull boxes to be traffic rated.	355,000	149,399	250,000	149,399	248,500	0	0.00%	45%	6/28/2016	5/03/2016
9	EN15032.00 Agency-Wide HVAC Improvements- Pkg No. 3	Evaluate elect. & control bldgs. HVAC systems & provide solutions @RP-1	1,180,000	574,242	989,250	479,966	431,216	3,526	0.80%	95%	6/06/2016	5/26/2016
10	EN15055.00 1630 E & W. Recycled Water Pump Station - Surge Tank Installation	Field survey to ensure surge tank construction will be w/in IEUA's easement	1,590,000	244,697	527,428	185,164	729,000	0	0.00%	55%	9/23/2016	10/13/2016
11	EN16013.00 RP-4 Lighting Improvements - Phase 1	Replace fluorescent light fixtures with LED fixtures & motion sensors.	300,000	5,031	300,000	5,031	292,736	0	0.00%	50%	6/17/2016	9/01/2016
12	EN16067.00 RP-1 DAF's Plug Valve Replacement	Demo & replacement of existing eccentric plug valves in DAF Valve Vaults	120,000	114,045	120,000	114,045	80,085	4,550	5.68%	95%	2/09/2016	5/06/2016
			29,557,549	18,571,623	10,686,896	7,270,541	15,211,089	518,560				

• Total construction contract payments for work completed in April: \$359,756.50

Emergency Projects Awarded in March 2016

Project No.	Contract	Task Order Description	TO #	Amount	Date
1	EN16016.03 W.A. Basic Construction	NRW Manhole Repair in Phillips Blvd	TO-052	8,500	4/05/2016
2	EN16019.14 W.A. Basic Construction	HQ Building Water Leak	TO-033	10,000	4/27/2016
				18,500	

Completed Construction Projects

Notice of Completion Filed

Project No.	Project Title	Specimens	Notice of Completion Filed
1	None		

Office Engineering Project

Project No.	Project Title	Status	% Complete	Actual Costs
1	CW16003.02 Chino Reg Conn C-30	Due to the recent approval of the EA by USACE, it is hopeful that the project can begin construction in late 2016.	50.00%	249.41
2	CW16003.03 Ontario Reg Conns O-97 & O-98	The regional sewer connection request will be presented to the Regional Technical Committee on April 28th for review/approval.	5.35%	327.32
3	CW16003.04 MI MH Adjustment at Phillips & Ramona	The regional sewer connection request will be presented to the Regional Technical Committee on April 28th for review/approval.	5.44%	0.00
4	CW16015.01 City of Ontario Francis St SD Project	A preconstruction meeting was held on February 9, 2016.	16.83%	206.84
5	CW16102.01 CVWD RW Conn CWRW-43	Possible inspection of hot tap upon notification	81.23%	1,200.08
6	CW16102.02 Ontario RW Conns ORW-67 & ORW-68	Inspection of the hot taps.	44.16%	2,005.00
7	CW16102.03 CVWD RW Conn CWRW-42	The permit will be issued upon receipt and approval of the contractor's certificate of insurance	51.61%	208.59
8	CW16102.04 CVWD RW Conn CWRW-44	The permit will be issued upon receipt and approval of the contractor's certificate of insurance.	53.13%	616.41
9	CW16102.05 CVWD RW Conn CWRW-45	The IEUA permit is issued. Waiting for preconstruction/inspection notification	100.00%	354.67
10	CW16102.07 CVWD RW Conn CWRW-47	The connection location was reviewed with as-built drawings and design comments were provided.	62.91%	178.05
11	CW16102.08 Chino RW Conn CRW-80	The engineering plans were reviewed and comments were provided to the consultant.	87.16%	356.69
12	CW16102.09 Chino RW Conn CRW-81	The engineering plans were reviewed. The contractor will connect to the existing stub out.	87.13%	178.05
13	CW16102.10 Chino RW Conn CRW-82-83-84	The engineering plans were reviewed.	87.17%	240.12
14	CW16102.11 24in RWPL in 800 F21 in Chino Hills	The revised engineering plans were reviewed and comments were provided to the consultant.	87.11%	156.54
15	CW16102.12 CVWD RW Conn CWRW-48	The connection location was reviewed with as-built drawings and design comments were provided.	84.97%	158.25
16	CW16102.13 City of Ontario Sixth St SD Project	The IEUA permit is issued. It is anticipated that the work will begin in April 2016.	48.89%	71.88
17	CW16102.14 CVWD RW Conn CWRW-49-50-51	The connection location was reviewed with as-built drawings and design comments were provided.	50.00%	14.30
18	CW16102.15 Chino RW Conn CRW-85	The recycled water connection request is under review.	38.00%	43.38
19	CW16102.16 Chino RW Conn CRW-86	The certificate of insurance was accepted and an IEUA permit was issued. The work was inspected on 4/7/16.	27.50%	533.37
20	CW16102.17 RW BO Relocation in Pine	The certificate of insurance was accepted and an IEUA permit was issued. The work was inspected on 4/7/16.	27.50%	0.00
				7,095.95

GRANTS UPDATE

Grants Administration Significant Events - Board Activities

Since the last General Manager's report, the following items were processed through both the IEUA Board and the CBRFA Commission:

Adoption of resolutions, authorizing the execution of the master agreements regarding the management of the recharge projects and the financing of the recharge facilities, and to apply, sign, administrate grants and SRF loans applications and financial assistance agreements with the State Water Resource Control Board (SWRCB) for the 2013 Recharge Master Plan Update Projects (RMPU Projects) for: 1) the Groundwater Grant Program application with the SWRCB for the Chino Basin Improvements and Groundwater Cleanup Project; 2) the Stormwater Grant Program application with the SWRCB for the RMPU Project referred to as the Wineville, Jurupa and RP-3 Basin Improvements Project; and 3) the State Revolving Fund (SRF) loan application with the SWRCB for the planning and design of the RMPU Project and dedicating certain revenues for the repayment of the SRF loan.

The following item was processed only through the CBRFA Commission:

Adoption of a resolution, approving and adopting Addendum No. 2 to the Mitigation Negative Declaration for the Jurupa Community Services District Recycled Water Service Expansion Program as CEQA-Responsible Agency.

Grant/Loan Opportunities and Applications

The Agency's Grants Department is continuing to pursue additional federal and state grant opportunities as they become available to supplement the Agency CIP budgets.

State Water Resources Control Board (SWRCB)

1. Proposition 1 Storm Water Grant pre-application for the regional Recharge Master Plan Update (RMPU) Project.
2. Proposition 1 Groundwater Grant application for the regional RMPU Project.
3. Clean Water State Revolving Fund (CWSRF) Loan application for regional RMPU project planning and design (\$5,000,000) to be submitted in late May.

United States Bureau of Reclamation (USBR)

1. Staff submitted to WaterSMART: Drought Contingency Planning Grants application (\$200,000) to update the 2009 Drought Plan.
2. Staff submitted on April 11, 2016 the WaterSMART: Drought Resiliency Project Grants application (\$300,000) for the regional RMPU Project No. 23a Wineville, Jurupa and RP-3 Basin Improvement project to build long-term resilience to drought.
3. Staff submitted on April 26, 2016 the Agricultural Irrigation and Efficiency Grants application (\$694,971) for IEUA's Recycled Water Pressure Sustaining Valve Project for agricultural users, and the North CIM Lateral project for farmers and agricultural drip irrigation systems, sensors and weather stations.

General Manager's Report Regarding Agency Activities

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WaterReuse Foundation

A full grant application (\$100,000) for the Tailored Collaboration Research Program was submitted on 4/11/2016. The project will evaluate groundwater recharge injection of tertiary treated recycled water in unsaturated zones, as compared to surface recharge.